

**KENTUCKY-AMERICAN WATER COMPANY  
CASE NO. 2015-00418  
ATTORNEY GENERAL'S FIRST REQUEST FOR INFORMATION**

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**Witness:**      **Linda C. Bridwell**

- 16.**      Reference the Kentucky American Water application. Provide copies of all presentations made to rating agencies and/or investment firms by American Water Works Company, Inc. (American Water) and/or Kentucky American Water between January 1, 2015 and the present.

**Response:**

Presentations made to equity investors from January 1, 2015 to the present are attached. Presentations made to rating agencies are also attached. The presentations to rating agencies contain confidential information and are subject to a petition for confidential treatment.

**NYSE: AWK**

# Institutional Investor Presentation

**January 2015**



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events and may relate to, among other things, its future financial performance, including earnings, growth and portfolio optimization strategies, its ability to finance current operations and growth initiatives, trends in its industry, regulatory or legal developments or rate adjustments. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events, including drought or abnormally high rainfall, strong winds and coastal and intercoastal flooding; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations and the growth of its business, including, among other core growth opportunities, concession arrangements and agreements for the provision of water services in the unregulated shale arena; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on the company's current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its cost and funding requirements; migration of customers into or out of its service territories; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; cash impact if the National Labor Relations Board order requiring it to provide back pay to employees in connection with a dispute relating to its national benefits agreements with unions representing Regulated Businesses employees is upheld on appeal; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual, quarterly and current SEC filings. The company undertakes no duty to update any forward-looking statement.

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## American Water Overview





# American Water: The Premier Water Services Provider in North America

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## Market Statistics\*

- **\$15.5 Billion** Total Enterprise Value
- **700,000** Average Trading Volume
- **\$9.7 Billion** Market Capitalization
- **\$2.9 Billion** in 2013 Revenues
  - 89% Regulated, 11% Market Based
- **32.7%** Total Shareholder Return for Last 12 Months
- **2.3%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **14 Million** People Served
- **47,000** Miles of Pipeline
- **6,600** Employees
- **1,500** Communities
- **3.2 Million** Regulated Customers

\* Market data as of January 7, 2015, Source : FactSet

January 2015

# Why American Water is the right investment for you

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**AWK**  
**LISTED**  
**NYSE**

- Industry Leading **7-10%** Long Term EPS Growth with **0.8** Beta\*
- **8%** Dividend Growth rate Top Quartile in Utilities\*\*
- Operational Excellence Minimizes Bill Increases **2%** on average
- Commitment to Innovation & Environmental Stewardship, over **600** technologies examined

\*Source : Thomson Reuters

\*\*Source: Thomson Reuters, Time Period: 2009 – 2013 Dividend Paid CAGR

Peer companies include: AWR, WTR, CWT, ATO, GAS, WGL, GXP, WR, OGE, AEE, POR, LNT, EDE, SCG, POM, HE, IDA, TE, CMS, UNS, PNM.

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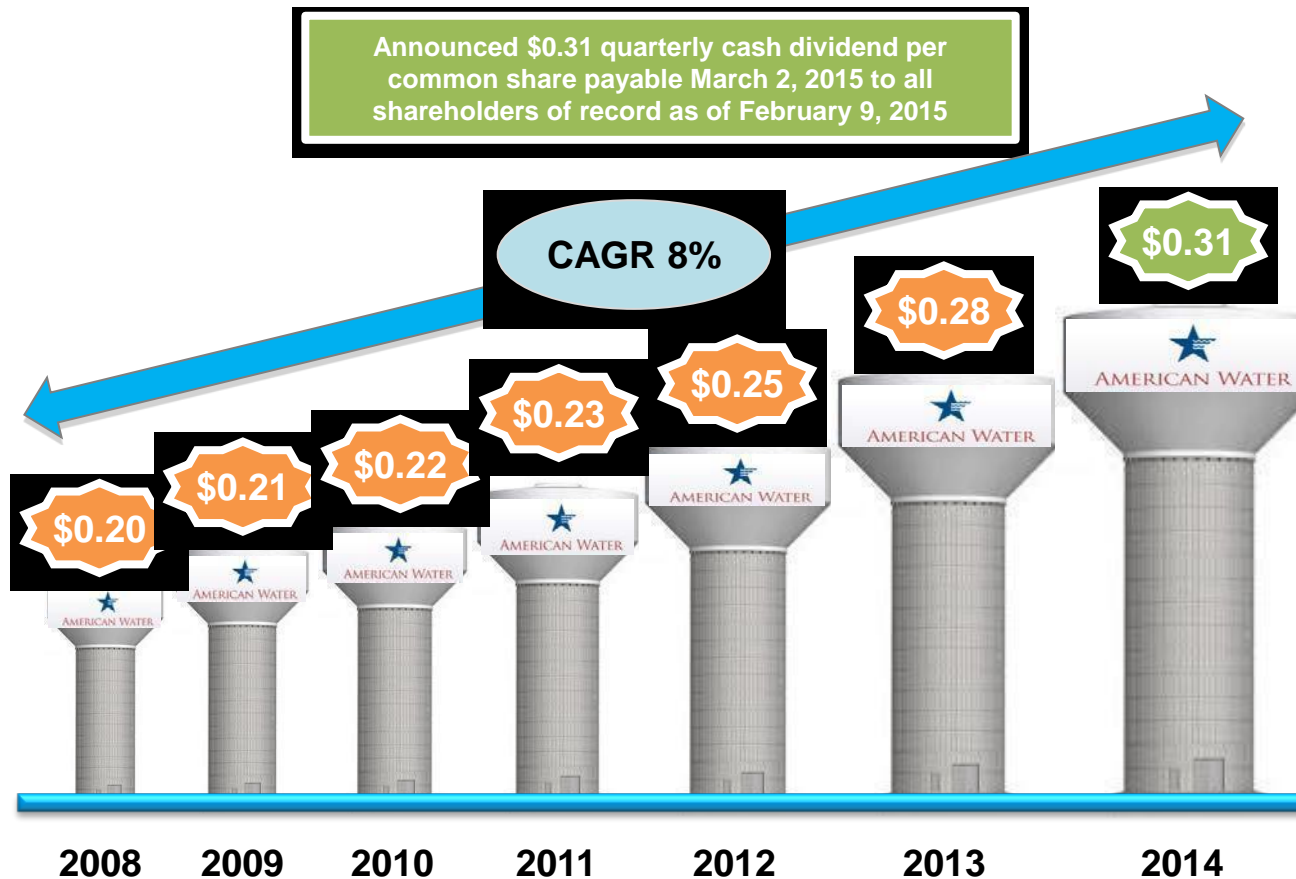
[www.amwater.com](http://www.amwater.com)

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# Long History of Consistent Annual Dividend Growth

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## Dividend Practice

- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income

Top quartile Dividend CAGR Growth compared to water and utilities peers\*

\* Source: Thomson Reuters, Time Period: 2009 – 2013 Dividend Paid CAGR

Peer companies include: AWR, WTR, CWT, ATO, GAS, WGL, GXP, WR, OGE, AEE, POR, LNT, EDE, SCG, POM, HE, IDA, TE, CMS, UNS, PNM.

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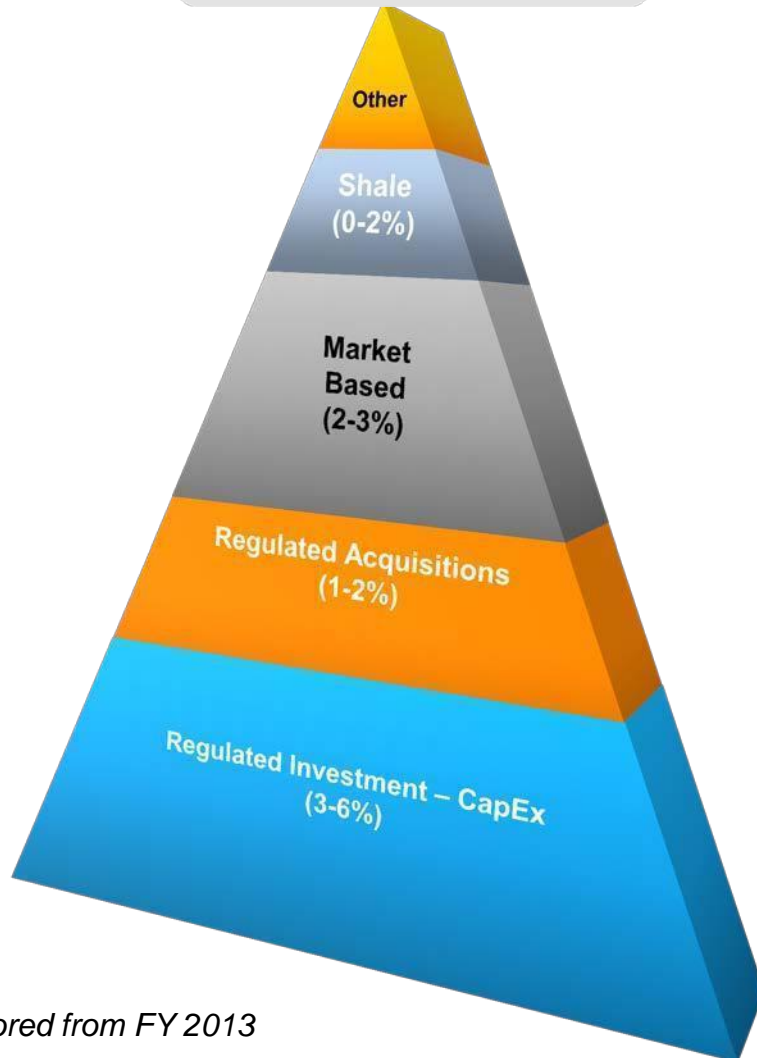
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# Our Future: Our commitment over the next 5 years

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## 2015 - 2019 Plan



- Industry Leading **7-10%**  
Long Term EPS Growth\*
- \$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

\*Anchored from FY 2013

January 2015

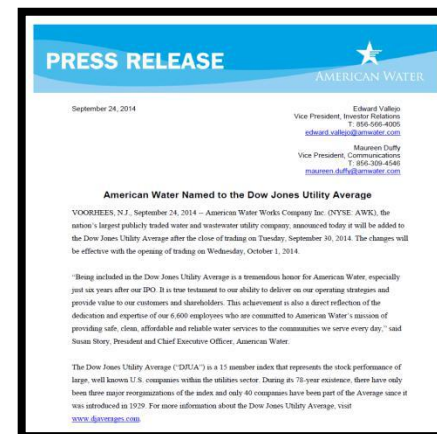
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## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Referendum Wins

- Haddonfield, NJ
- Russiaville, IN
- Arnold, MO



American Water (AWK) has emerged as the clear winner in the US mid-term elections, at least in terms of boosting its regulated asset portfolio. Ratepayers in the Borough of Haddonfield, NJ voted earlier this week to sell their water and wastewater systems to American Water for \$28.5 million, while the City of Arnold, MO, ended a multi-year debate by agreeing to sell its sewer system to AWK for \$13.2 million. The Town of Russiaville, IN, meanwhile, voted overwhelmingly to sell its water system to AWK for \$1.8 million.

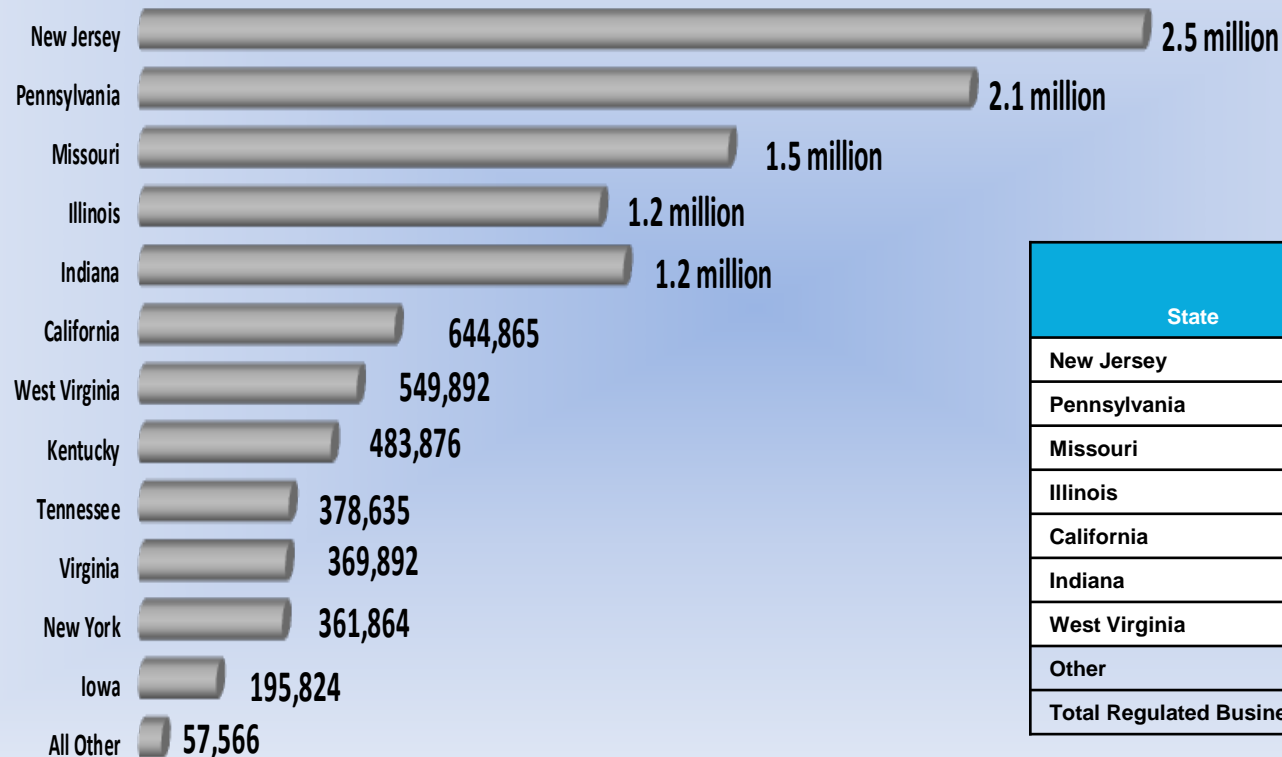
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## **Our Regulated Business**



## States Where We Operate

(approximate population served by state )\*



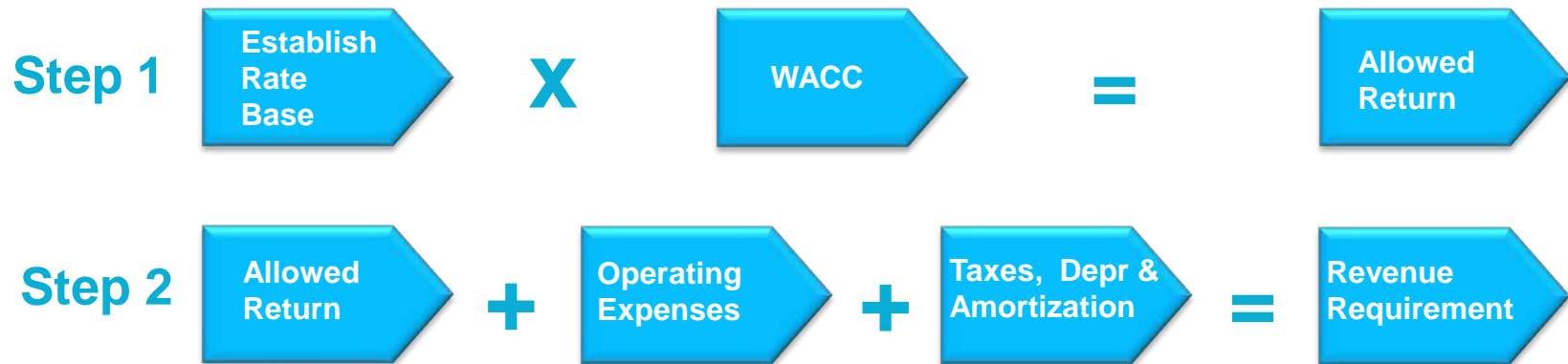
State	FY 2013 Revenues (\$ mm)	% of Total
New Jersey	\$638.0	24.6%
Pennsylvania	571.2	22.0%
Missouri	264.8	10.2%
Illinois	261.7	10.1%
California	209.5	8.1%
Indiana	199.2	7.7%
West Virginia	124.2	4.8%
Other	325.3	12.5%
Total Regulated Business	\$2,593.9	100%

\* Population data for FY 2013



# The Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases



American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

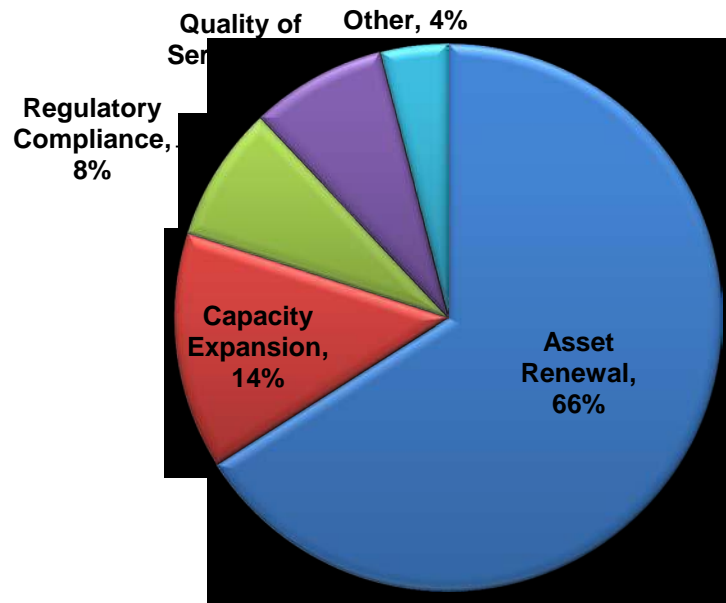


# Investment in Water and Wastewater Industry is urgently needed

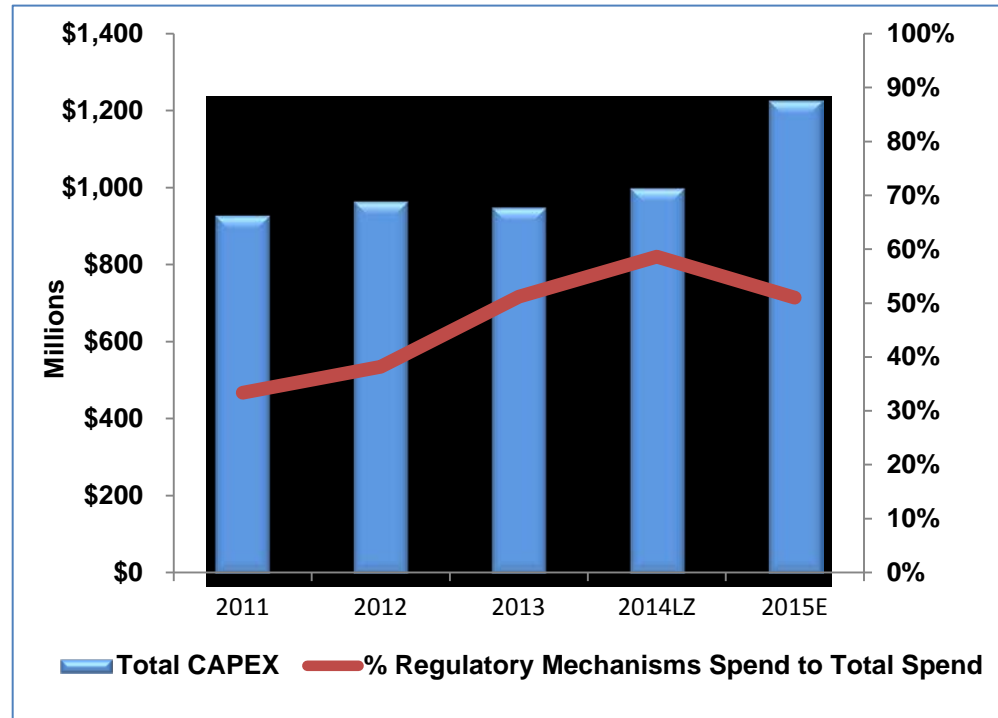
- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

# Regulatory Capital Investment of \$5.2 billion over next five years

2015 – 2019 Average Capital Expenditures by Purpose

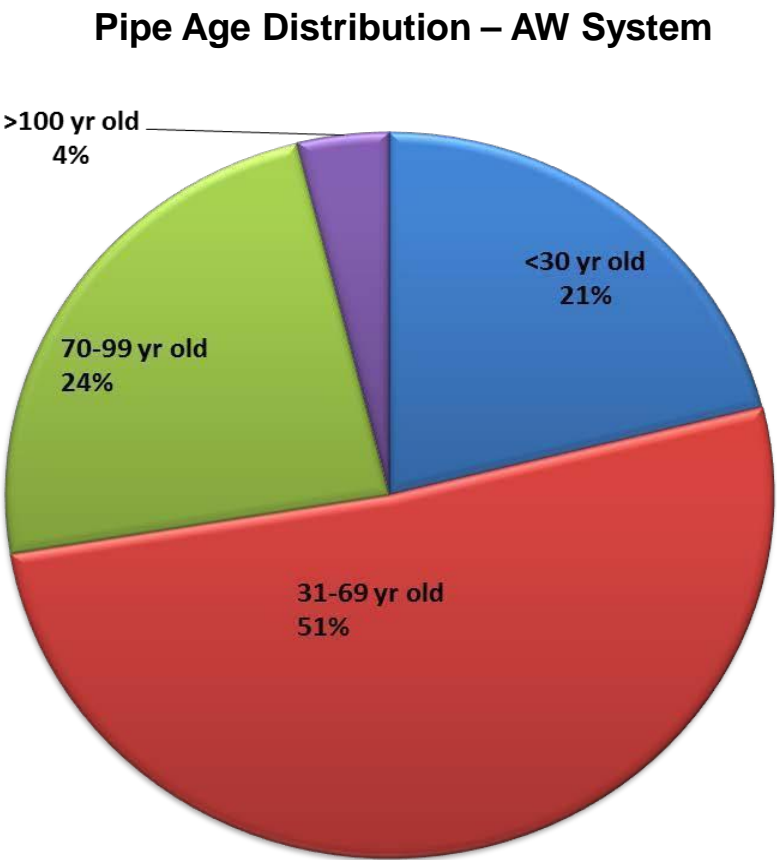


Investments covered by Regulatory Mechanisms

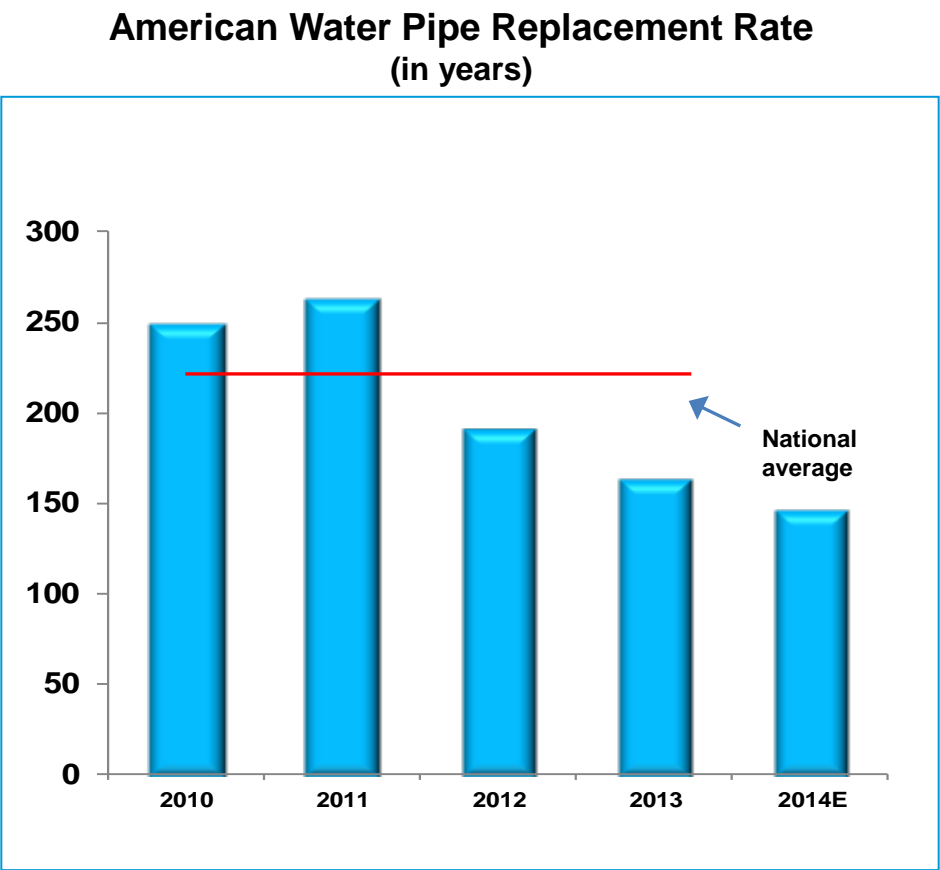


Note

(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years



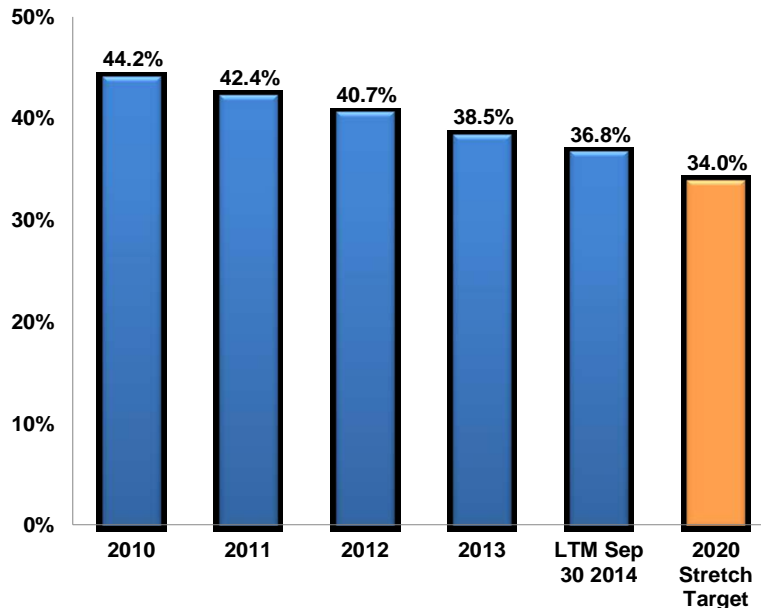
Over 25% pipes are 70 years or old



Pipe Replacement rate is shortening

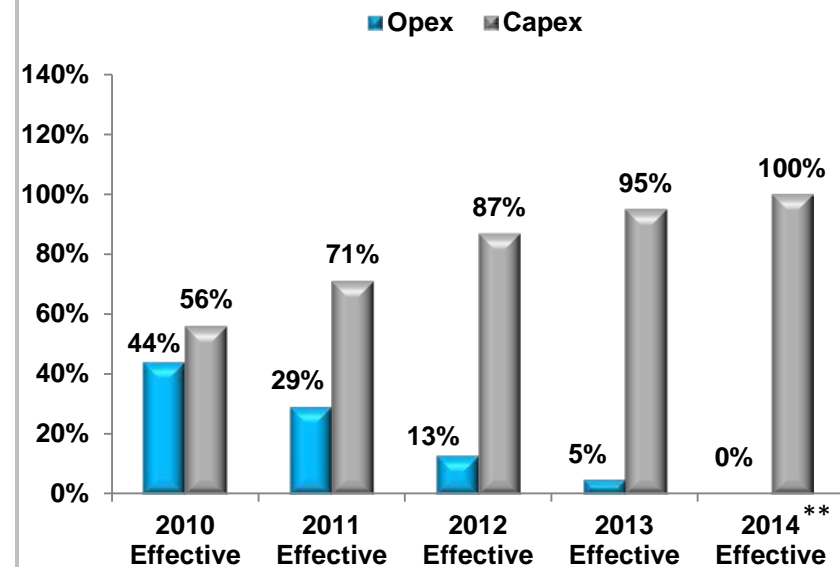
# Cost containment and timely return on our investments will drive added Capital Expenditures

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP Measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
-Increases Attributable to Opex vs. Capex-



Note:

- \* Approximation in states where we received black box award
- \*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower Operating expenditures.

# We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

## Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
<b>NJ</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X</b>
<b>PA</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b> <sup>(3)</sup>
<b>MO</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X</b> <sup>(3)</sup>
<b>IL</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>IN</b>	<b>X</b>	<b>X</b>		<b>X</b>		<b>(5)</b>
<b>WV</b>				<b>X</b>		
<b>CA</b>		<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>
<b>KY</b>		<b>X</b>		<b>X</b>	<b>X</b>	
<b>NY</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b> <sup>(2)</sup>	<b>X</b>
<b>TN</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b> <sup>(3)</sup>
<b>VA</b>	<b>X</b> <sup>(4)</sup>	<b>X</b>	<b>X</b>		<b>X</b>	
<b>IA</b>				<b>X</b>		
<b>HI</b>		<b>X</b>				
<b>MD</b>			<b>X</b>			

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/ Waste Water Infrastructure Surcharge (A DSIC mechanism).

(5) Indiana has included declining usage in current case, but no results have been received yet in this litigated case.

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## Our Market-Based Business



# Market based businesses generate complementary opportunities for growth

## Lines of Business

- **Homeowner Services (HOS)**
- **Contract Operations**
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

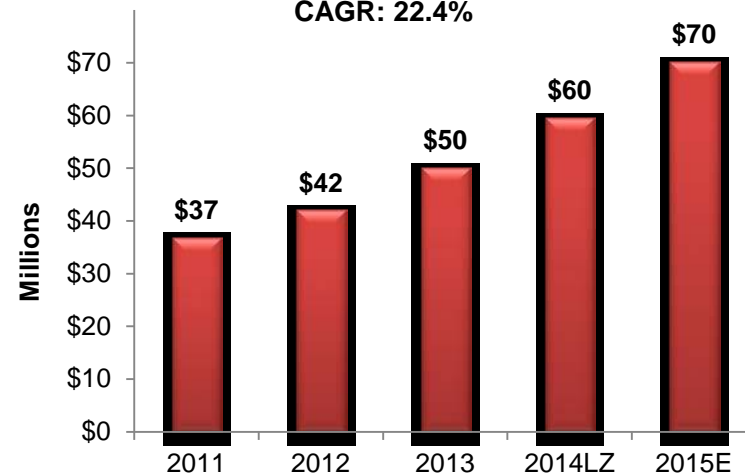
## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets

**Revenues\***  
**CAGR : 7.7%**



**Operating Income\***  
**CAGR: 22.4%**

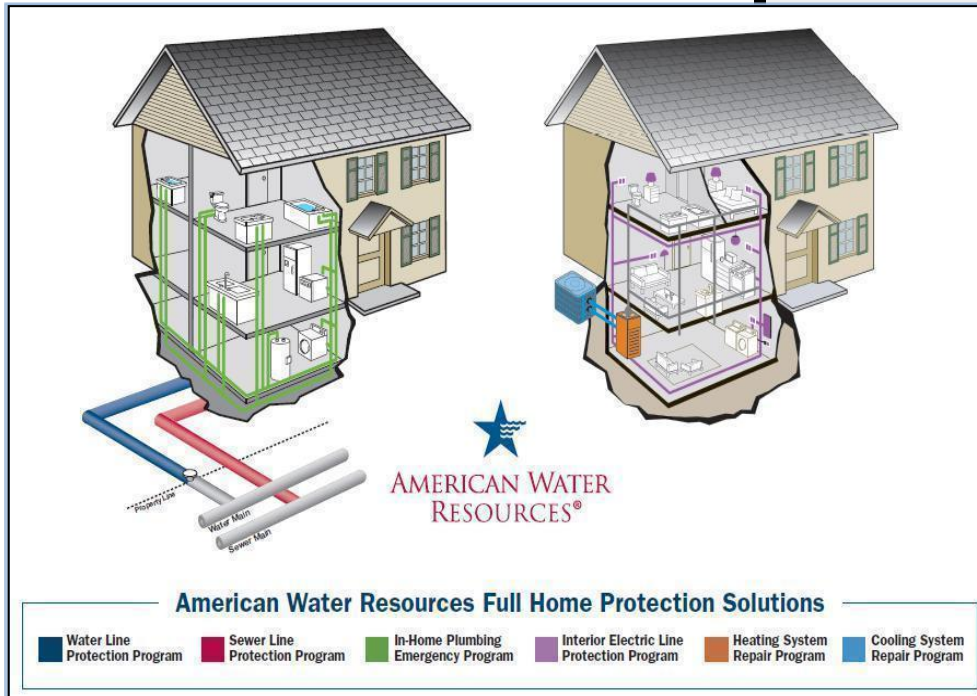


Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

\*2011 and 2012 figures include Terratec

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# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***



# Military Services: Overall Growth Strategy

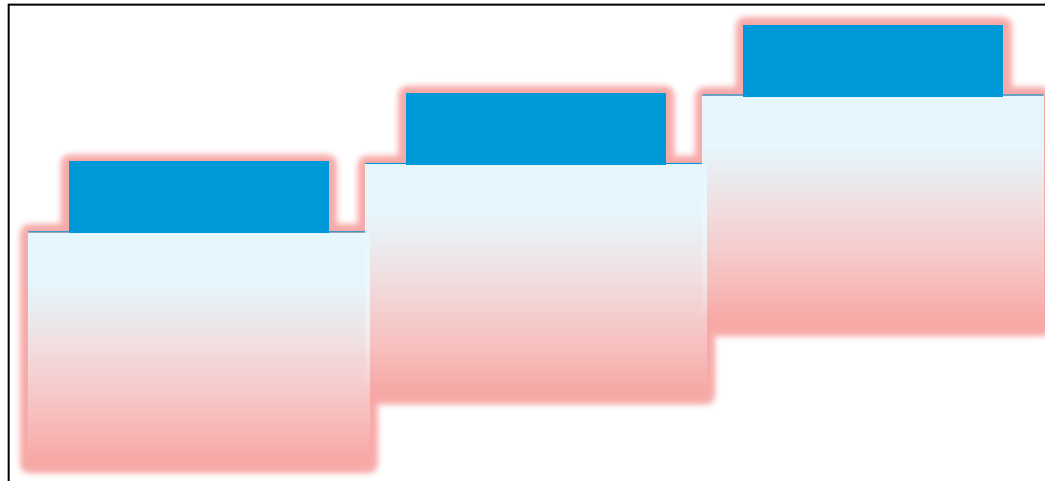
## Add New Customers

### Current Bases

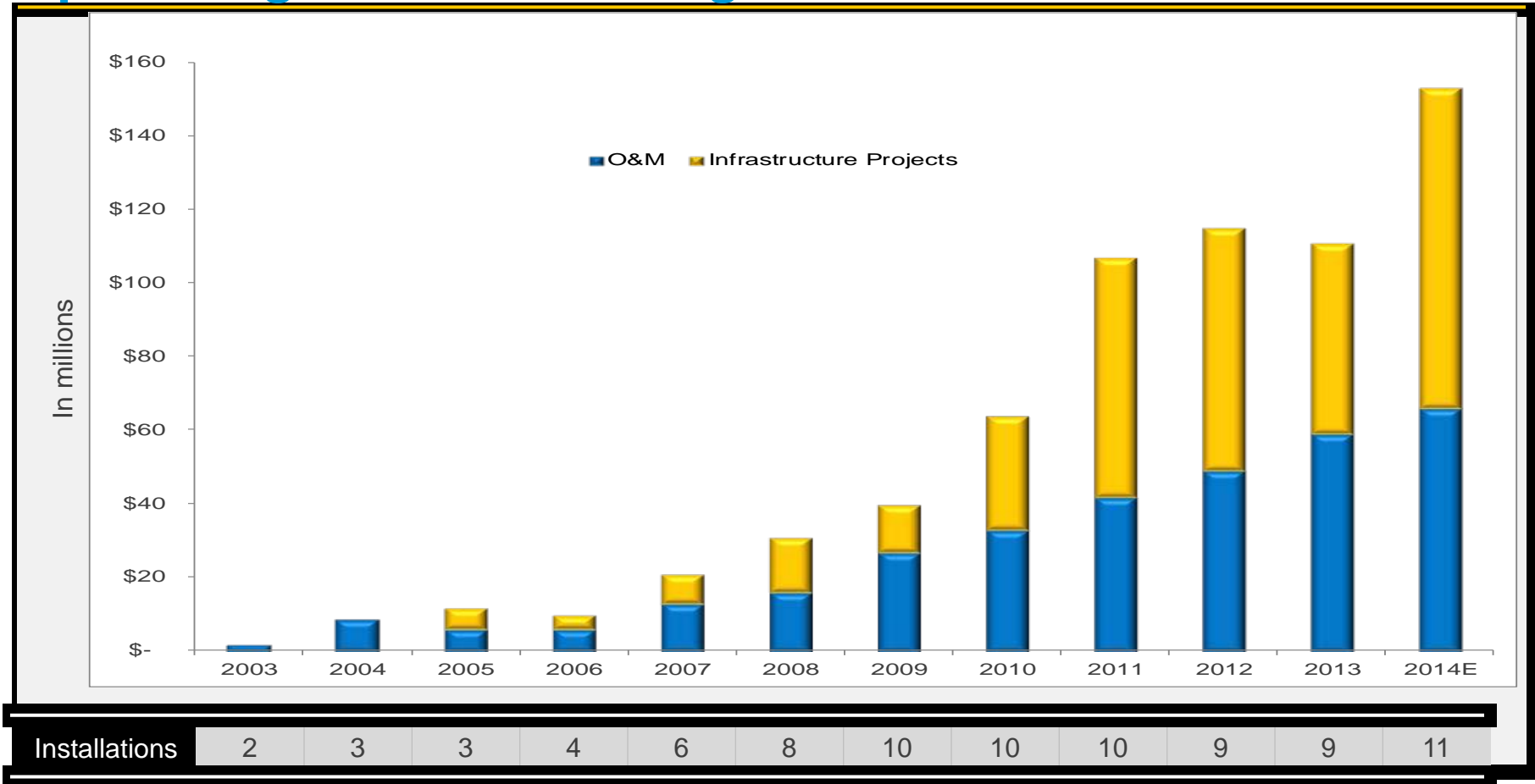
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Leavenworth (39 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)

## Optimize Existing Bases

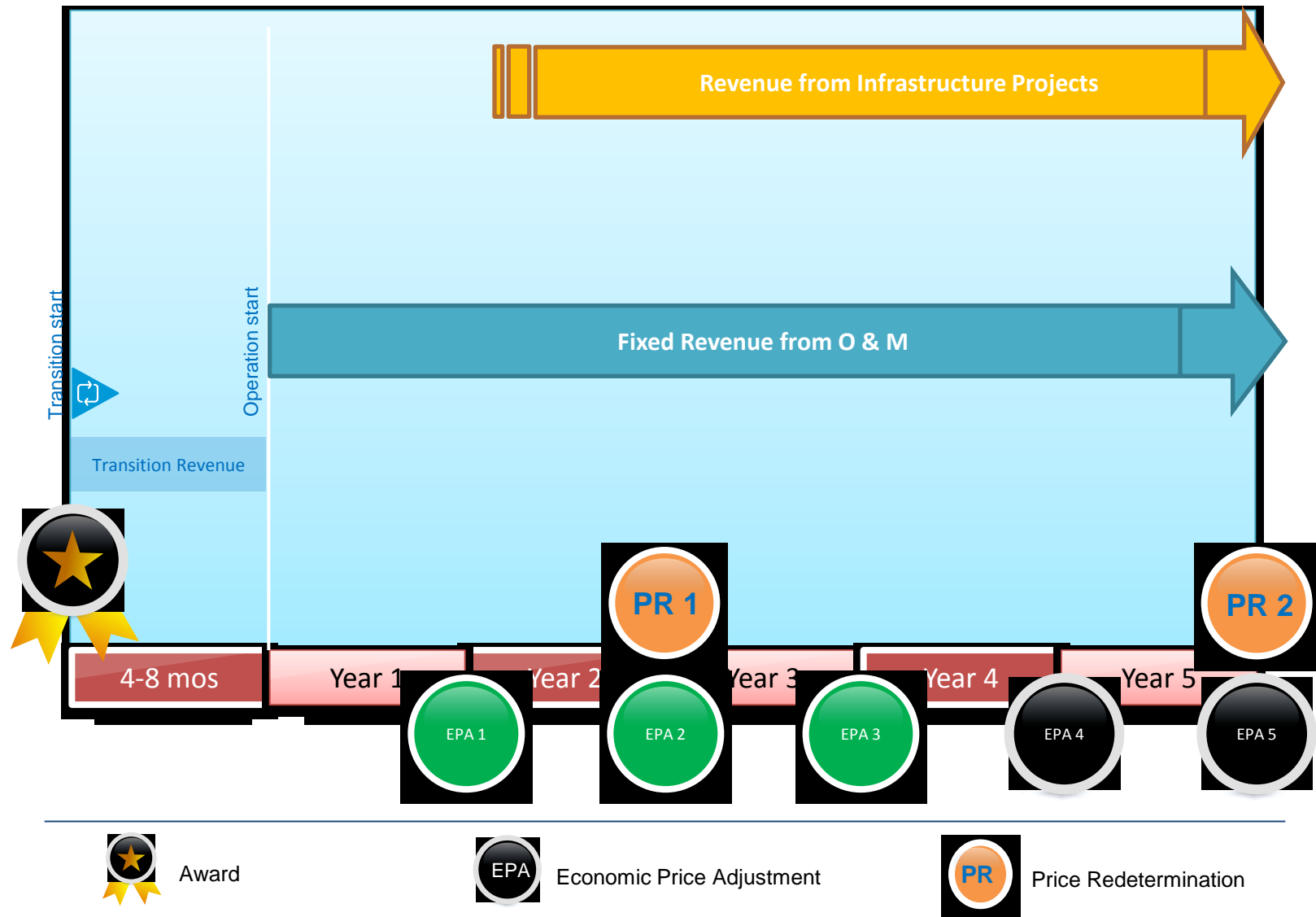
1. Price Redeterminations
2. Infrastructure Modifications



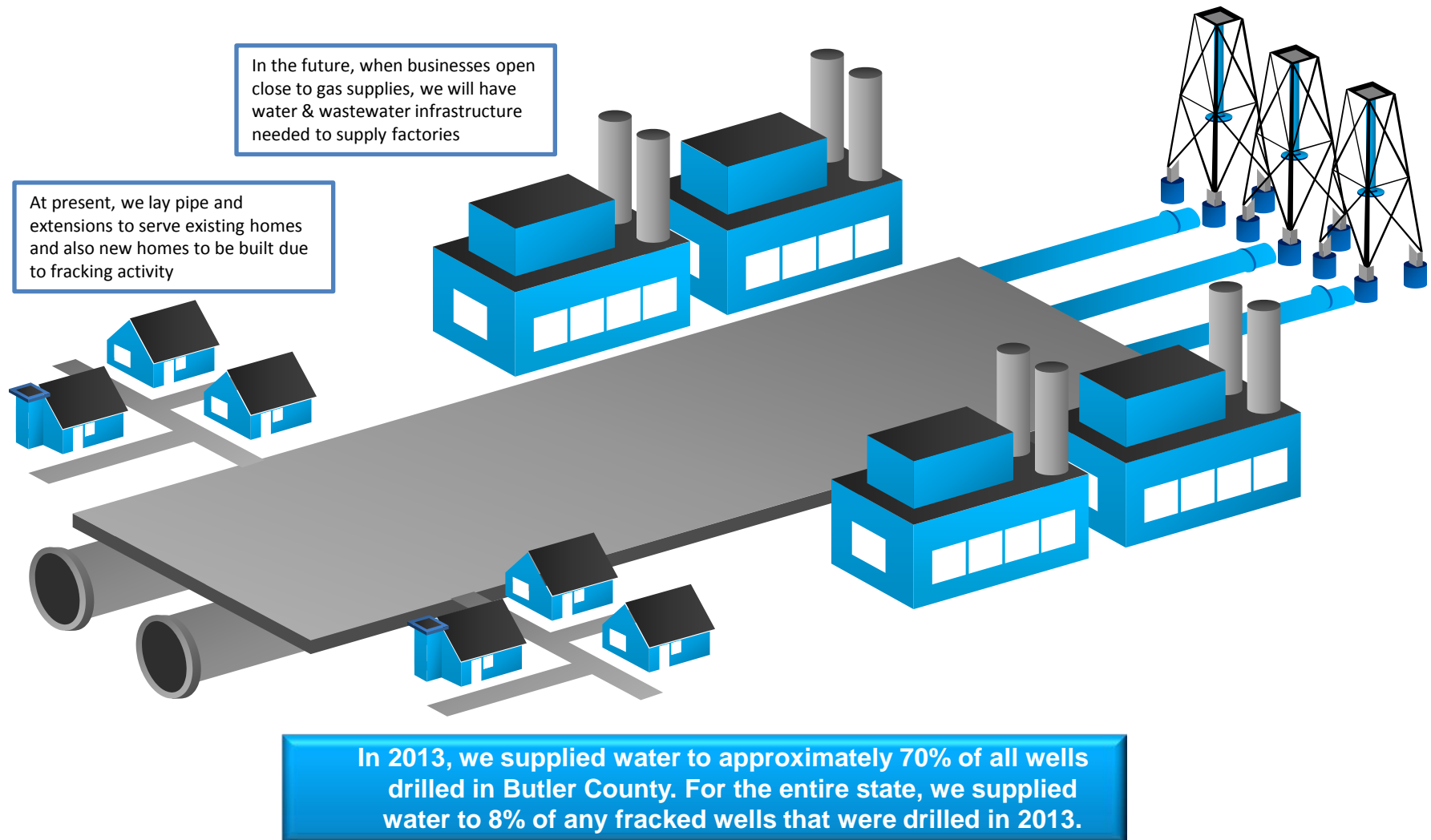
# Military Services : Growth by Adding New Bases and Optimizing Value at Existing Bases



# Military Services : Typical Revenue – First 5 years of Contract



# Marcellus Shale – our Regulated Strategy



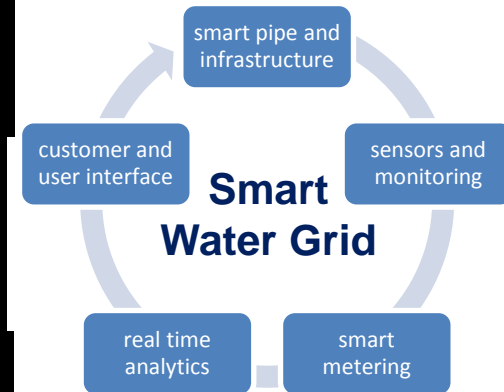
# The Water-Energy Nexus: Challenges and Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> <li>• NPXPRESS</li> <li>• Pressure Management Research</li> <li>• Pump Effeciencies</li> <li>• Demand Side Energy Managment</li> </ul>
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> <li>• Smart Water Grid</li> <li>• Saving Water to Save Energy</li> <li>• Resiliency Projects</li> </ul>
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> <li>• One Water Philosophy</li> <li>• Desalination</li> <li>• Recyled Water</li> </ul>
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> <li>• Shale Gas Production</li> </ul>
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> <li>• Enbala</li> <li>• Solar Power</li> <li>• Wind Power Purchases</li> </ul>

Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"



# Our future results are anchored on 5 central themes with customers at the center of all we do



## Investor Relations Team:



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**AWK  
LISTED  
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## Appendix





# Reconciliation Table – Regulated O&M Efficiency Ratio

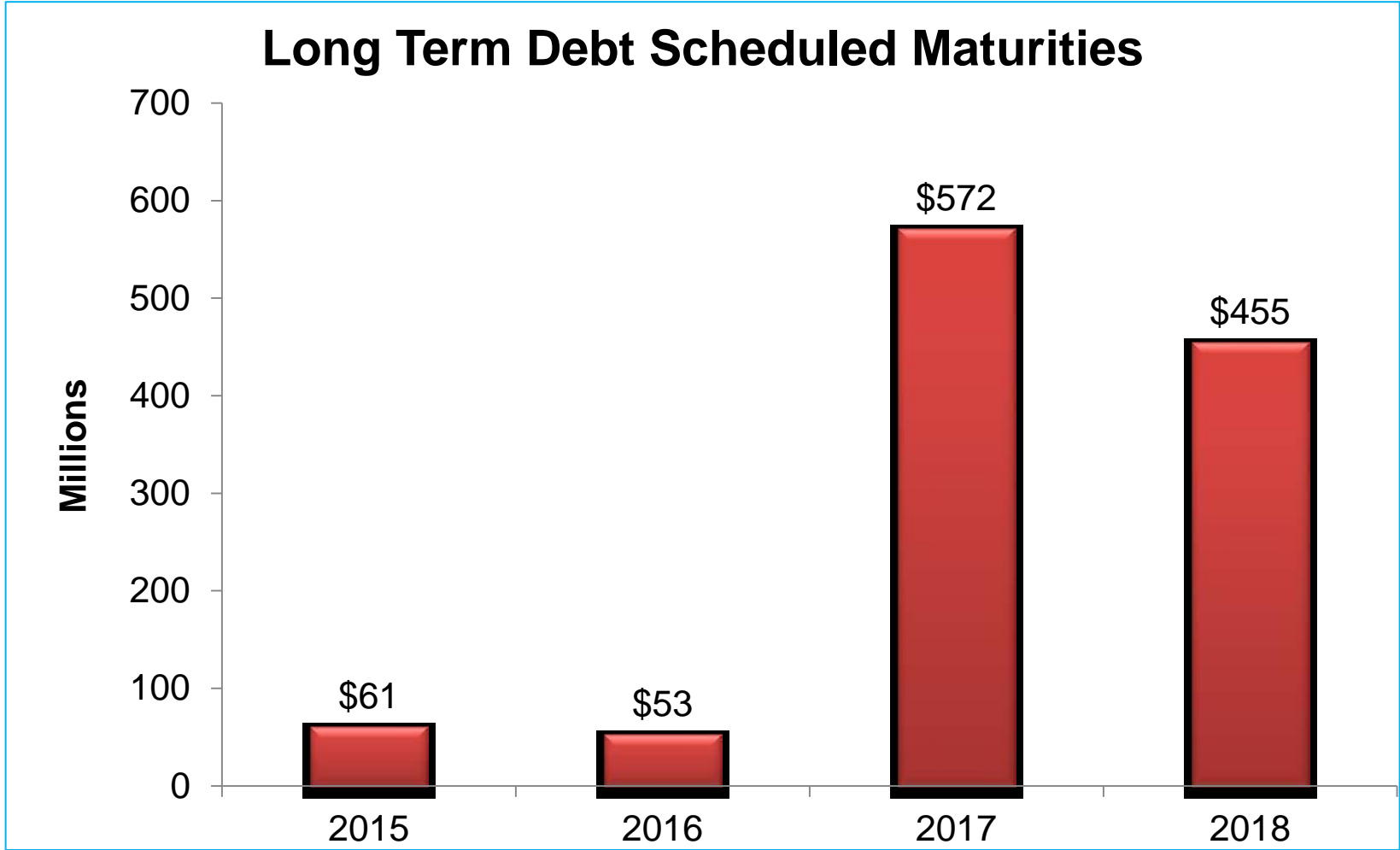
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Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	LTM Ended Sep				
	FY	FY	FY	FY	
(\$ in thousands)	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,290,941	\$1,301,794	\$1,350,040	\$1,312,724	\$1,330,605
Less:					
Operations and Maintenance Expense – Market Based Operations	256,633	278,375	276,809	264,253	272,386
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(53,606)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,825
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	37,975
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	119,692
Impact of West Virginia Freedom Industries Chemical Spill					10,302
Estimated impact of weather (mid-point of range)			4,289	(1,514)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,204</b>	<b>\$ 945,618</b>
Total Operating Revenues	\$2,555,035	\$2,666,236	\$2,876,889	\$2,901,858	\$2,986,192
Less:					
Operating Revenues – Market Based Operations	294,723	327,815	330,329	325,463	334,647
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,594)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,669,139
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	119,692
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,137	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,497,936</b>	<b>\$2,567,244</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.8%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

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Equity/Total Capitalization	46%	46%	47%	47%
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# West Virginia Update: Independent comments around West Virginia American Water's actions during the Freedom Industries chemical spill

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Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

January 2015

Home News Cops and Courts Sports Opinion Business Food and Livin

Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."

# Regulatory Highlights: Rate Cases Update

## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase	ROE Requested	Rate Base Filed
California	Case No. A.13-07-002	7/1/2013	\$24.9	(a) N/A	\$467.6
Indiana	Cause No. 44450	1/24/2014	19.6	10.80%	867.4
Kentucky WW	Case No. 2014-00390	11/14/2014	0.1	(b) N/A	N/A
Maryland	Case 9372	12/19/2014	0.8	11.00%	12.3
			<b>\$45.4</b>		<b>\$1,347.3</b>

### B. Infrastructure Charges Filed

Tennessee (QIIP, EDI & SEC)	Docket No. 14-00121	10/29/2014	2.6		19.6
New Jersey (DSIC)		11/14/2014	9.4		69.4
Illinois (QIP)		12/19/2014	4.6		54.5
			<b>\$16.6</b>		<b>\$143.5</b>

### C. Step Increases

Not Applicable

**\$0.0**

## Rates Effective in 2014

	Date Effective	Revenue Increase	Comments
<b>D. Step Increases</b>			
New York	4/1/2014	\$1.2	Final Step
California	Various	1.9	Final Step
		<b>\$3.1</b>	
<b>E. Infrastructure Charges</b>			
New York (SIC)	1/1/2014	\$0.9	
New Jersey (DSIC)	1/1/2014	10.1	
Illinois (QIP)	1/1/2014	2.1	
New York (SIC)	3/3/2014	0.7	
New York (SIC)	4/1/2014	0.2	
Tennessee (see note)	4/15/2014	0.5	(d)
Missouri (ISRS)	5/30/2014	3.7	
New Jersey (DSIC)	7/1/2014	7.4	
Missouri (ISRS)	12/31/2014	9.0	
		<b>\$34.6</b>	
<b>F. Rate Cases</b>			
Pennsylvania	1/1/2014	\$26.0	(e)
Iowa	4/18/2014	3.8	(f)
		<b>\$29.8</b>	

(a) On May 1, 2013 a proposed application was filed in California. On July 1, 2013 we filed an update to that filing and submitted the final application requesting additional annualized revenue of \$33.5 million which includes a test year 2015 revenue requirement of \$18.5 million. It also includes increases in the escalation year 2016 and the attrition year 2017 of \$8.3 million and \$6.7 million, respectively. On October 9, 2013, the Company filed an update to our final general rate case application adjusting the request to \$32.4 million of additional annualized revenues which includes a test year 2015 revenue requirement of \$18.1 million. It also includes increases in the escalation year 2016 and the attrition year 2017 of \$8.0 million and \$6.3 million, respectively. On July 25, 2014, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted a proposed settlement of \$24.9 million which includes a test year 2015 revenue requirement increase from the date of filing of \$13.6 million, with increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively. The rate base amount listed as filed is the average rate base as proposed in the settlement for the three year period.

(b) Kentucky utilized the Alternative Rate Filing process designed for small utilities to file their case for their wastewater customers. The request for the proposed increase contemplates a two-step increment with the year one increase of 9.73% or \$29k and the second year increase of 10.70% or \$32k for a combined increase of \$61k.

(c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is appealing. The 2014 step increases are included in the current rate case request.

(d) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("EDI") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k. TN also received approval of a Production Costs and Other Pass-Throughs ("PCOP") mechanism which cover over or under collection of authorized expenses for purchased power, chemicals, waste disposal, purchased water including wheeling charges, and the TRA inspection fee. This tracker will be trued up on an annual basis and will provide a projected refund to customers of \$542k. The average total impact for a residential customer in Chattanooga of all three riders and the expense tracker combined would be a decrease of two cents per month.

(e) The revenue increase from the PA GRC of \$26 million does not include \$19.8k DSIC revenues that were effective in 2013.

(f) The annual revenue increase of \$3.8 million from the IA GRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.

# Regulated Utilities – Rate Base and Allowed Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries



Authorized Rate Base*	\$374,404	\$706,386	\$741,151 (b)	\$384,729	\$831,375 (b)
Authorized ROE	9.99% (a)	9.34%	9.70%	9.70%	10.00%
Authorized Equity	53.00% (a)	48.10%	42.02% (c)	44.70%	50.57% (e)
Effective Date of Rate Case	7/12/2012 (a)	10/1/2012	6/15/2012	10/25/2013 (d)	4/1/2012



Authorized Rate Base*	\$1,920,300	\$128,882 (f)	\$2,425,711 (b)	\$119,254 (b)	\$448,841 (b)
Authorized ROE	10.15%	9.65% (f)	10.25% (g)	9.75%	9.90% (g)
Authorized Equity	52.00%	42.00% (f)	51.69% (e)	42.67% (e)	45.23% (e)
Effective Date of Rate Case	5/1/2012	4/1/2012 (f)	1/1/2014	12/12/2012 (h)	10/11/2013

\*Rate Base stated in \$000s

### Notes:

- a) CA has a separate Cost of Capital case, A11-05-003, which sets the rate of return outside of a general rate proceeding.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

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## 2014 Year-end Earnings Conference Call

February 25, 2015





NYSE: AWK



**Ed Vallejo**  
**Vice President of Investor Relations**



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, timing of the Orlando home warranty protection program launch, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including as related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events, including drought or abnormally high rainfall, strong winds and coastal, intercoastal flooding and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including, concession arrangements and agreements for the provision of water services to facilitate hydraulic fracking in shale regions; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on the company's current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws



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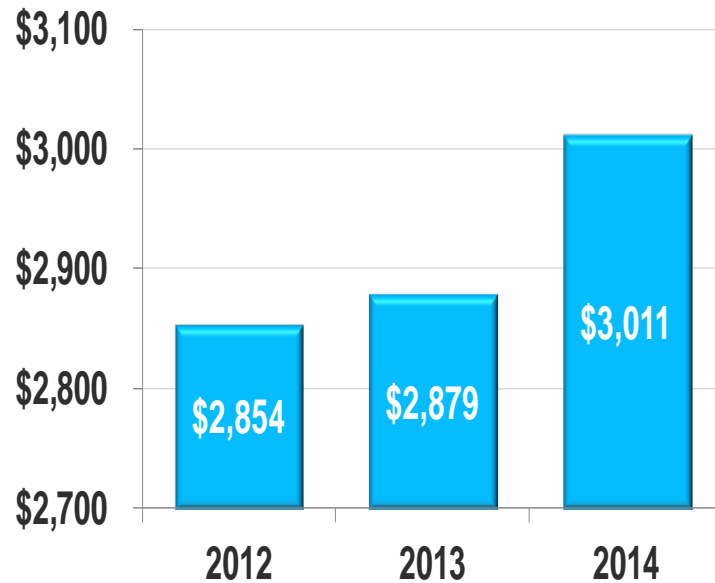


**Susan Story**  
**President and Chief Executive Officer**

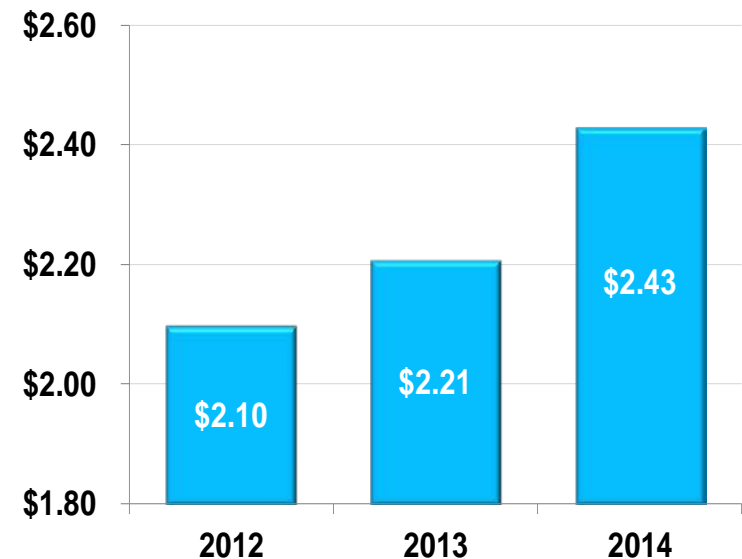


# American Water: Strong Results

**Operating Revenues**  
(in millions)



**Adjusted Diluted Earnings Per Share  
Continuing Operations\***



Note:

\* Adjusted Diluted Earnings Per Share is a non-GAAP measure.  
See appendix for reconciliation

# 2014 Highlights: Our Focus on Growth

## Regulated

### Key Enablers:

NJ Legislation (Feb 2015)  
PA WW DSIC (Jan 2015)  
TN Investment riders

- \$1 billion in infrastructure investments, \$100 million over 2014 original estimate
- Closed acquisition of 13 systems in 2014 ; 4,500 water & wastewater customers
- 11 announced pending acquisitions; 21,500 water & wastewater customers
- Newly Announced – Mt Vernon, Illinois, pending city council vote; ~12,700 water & wastewater customers

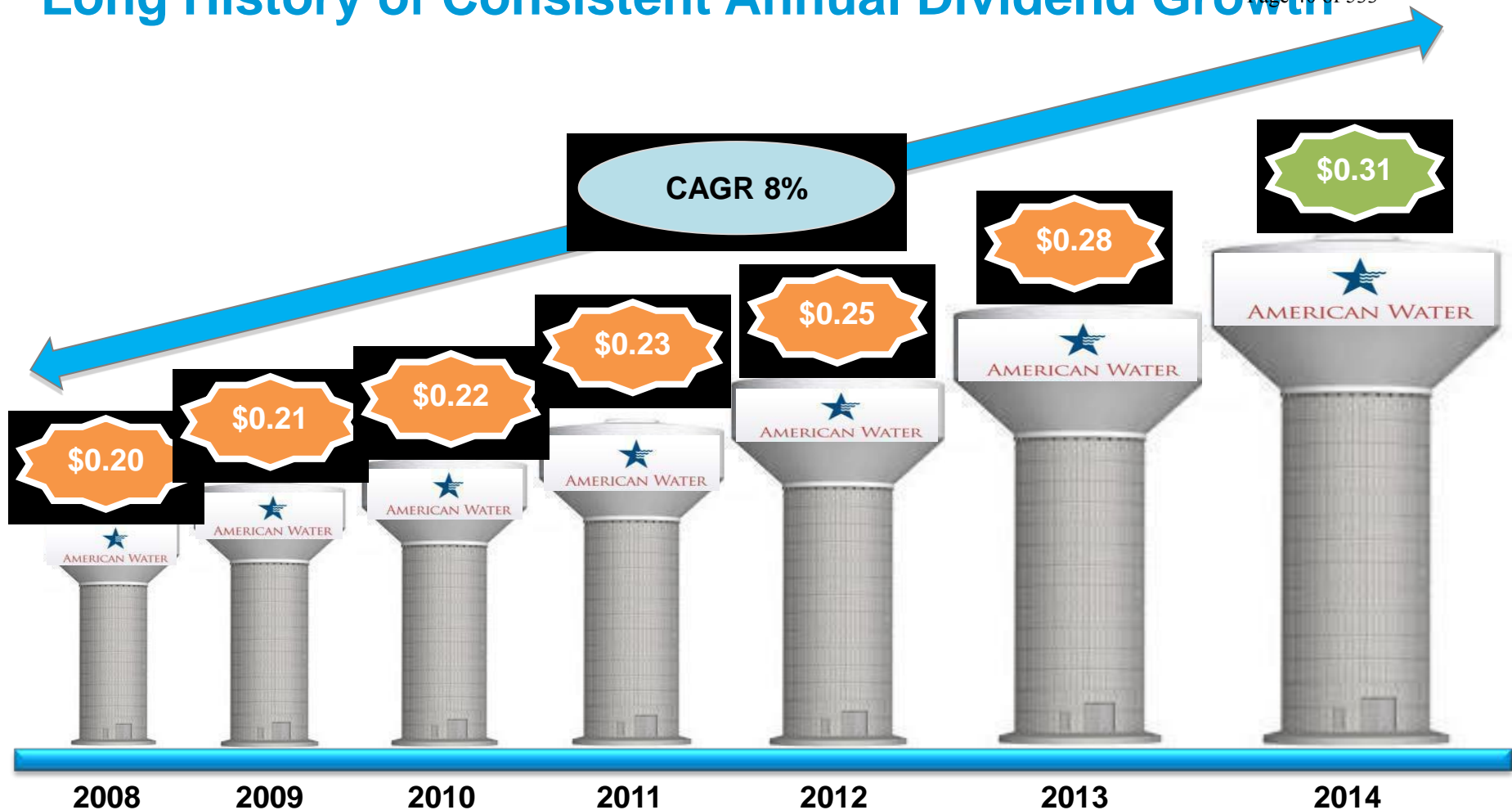
## Market-Based

### Key Enablers:

Openness to  
PPP'S

- Awarded two U.S. military contracts
- Homeowner services (HOS) expanded into 8 additional states
- HOS received notice of intent to be awarded an exclusive service line protection agreement with the Orlando Utilities Commission

# Long History of Consistent Annual Dividend Growth



Top quartile Dividend Growth compared to DJUA companies and Water Peers\*

\* Source: Factset: Time Period: 2010 – 2014 Dividend Paid CAGR

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, CTWS, CWT, MSEX, SJW, WTR, YORW.

February 2015

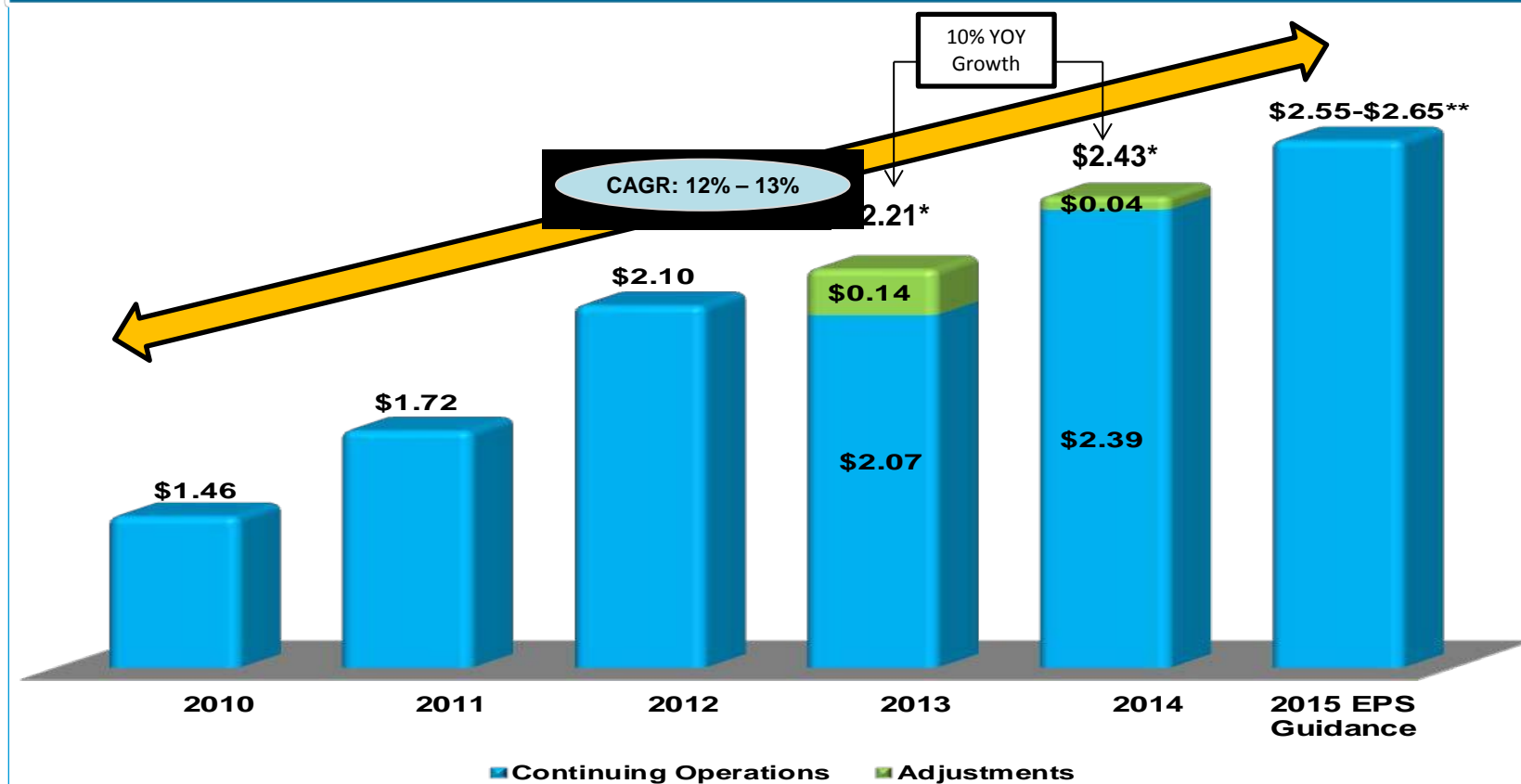
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[www.amwater.com](http://www.amwater.com)

7

# Outlook: Reaffirming 2015 Guidance

## Adjusted Diluted EPS From Continuing Operations



## Long-Term EPS Growth Goal 7 – 10%\*\*\*

Notes: \*Adjusted Diluted Earnings Per Share is a non-GAAP measure. See appendix for reconciliation.

\*\*2015 EPS Guidance range includes approximately 2 cents EPS impact for potential legal costs related to Freedom Industries spill in West Virginia and 3 cents EPS impact related to adoption of new mortality tables for pension and other retirement benefits expense

\*\*\* 2015 – 2019 EPS growth goal of 7-10% anchored from FY 2013

February 2015

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**Walter Lynch**  
**President and Chief Operating Officer**  
**Regulated Operations**





## New Jersey Rate Case filing:

- \$66.2M or 9.96%
- Primarily driven by \$775M investments in assets
- \$19M reduction in operating costs, supported ~\$125 million of the investment
- CTA filed per new BPU policy



## One year extension in Cost of Capital filing with CPUC:

- Extends authorized ROE of 9.99% through 2016
- Defer the next cost of capital application to March 31, 2016

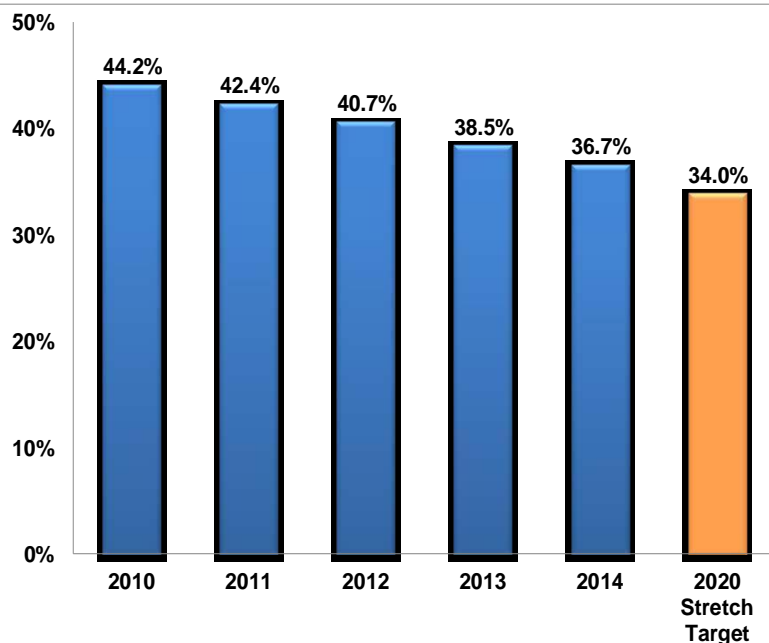


## Indiana American rate case order, effective Jan 29, 2015:

- \$5.1M revenues (2.6% increase, ROE 9.75%)
- Primarily driven by more than \$220 million investment in assets
- \$5.5M reduction in operating costs, supported ~\$33 million of the investment
- Forward looking rate base

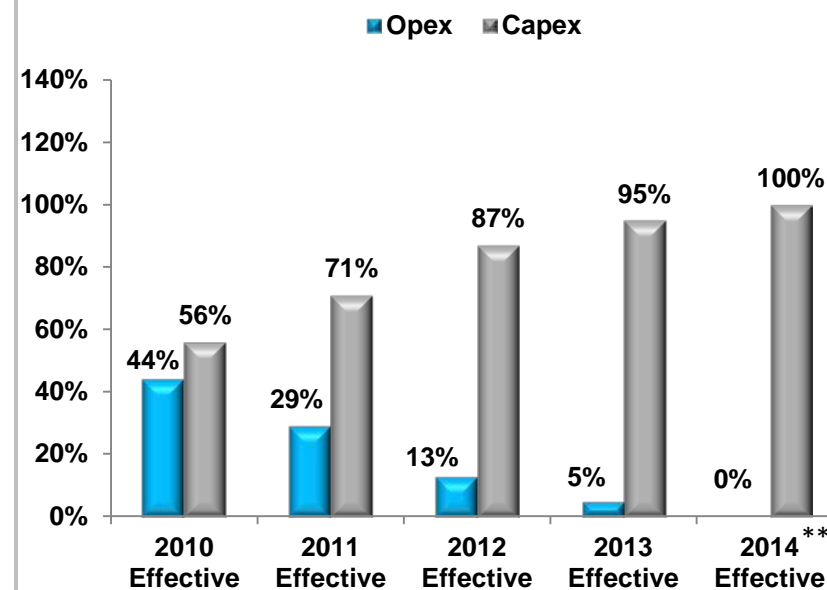
# Our Disciplined Approach to Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:  
\* Approximation in states where we received black box award  
\*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures



NYSE: AWK



**Linda Sullivan**  
**Senior Vice President**  
**and Chief Financial Officer**



# 2014 Fourth Quarter and Year-end Adjusted EPS

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## Year-end (in Diluted EPS)

	<u>2013</u>	<u>2014</u>
Net Income	\$2.06	\$2.35
Discontinued Operations	(\$0.01)	(\$0.04)
Continuing Operations	<u>\$2.07</u>	<u>\$2.39</u>
Exclude:		
Debt Tender Offer	\$0.14	
Freedom Industries Event		\$0.04
<b>Adjusted EPS</b>	<b><u>\$2.21</u></b>	<b><u>\$2.43</u></b>

**+\$0.22  
or 10%**

## Fourth Quarter (in Diluted EPS)

	<u>2013</u>	<u>2014</u>
Net Income	\$0.33	\$0.52
Discontinued Operations	(\$0.01)	
Continuing Operations	<u>\$0.34</u>	<u>\$0.52</u>
Exclude:		
Debt Tender Offer	\$0.14	
<b>Adjusted EPS</b>	<b><u>\$0.48</u></b>	<b><u>\$0.52</u></b>

**+\$0.04  
or 8%**

## EPS Contribution By Business Segment\*

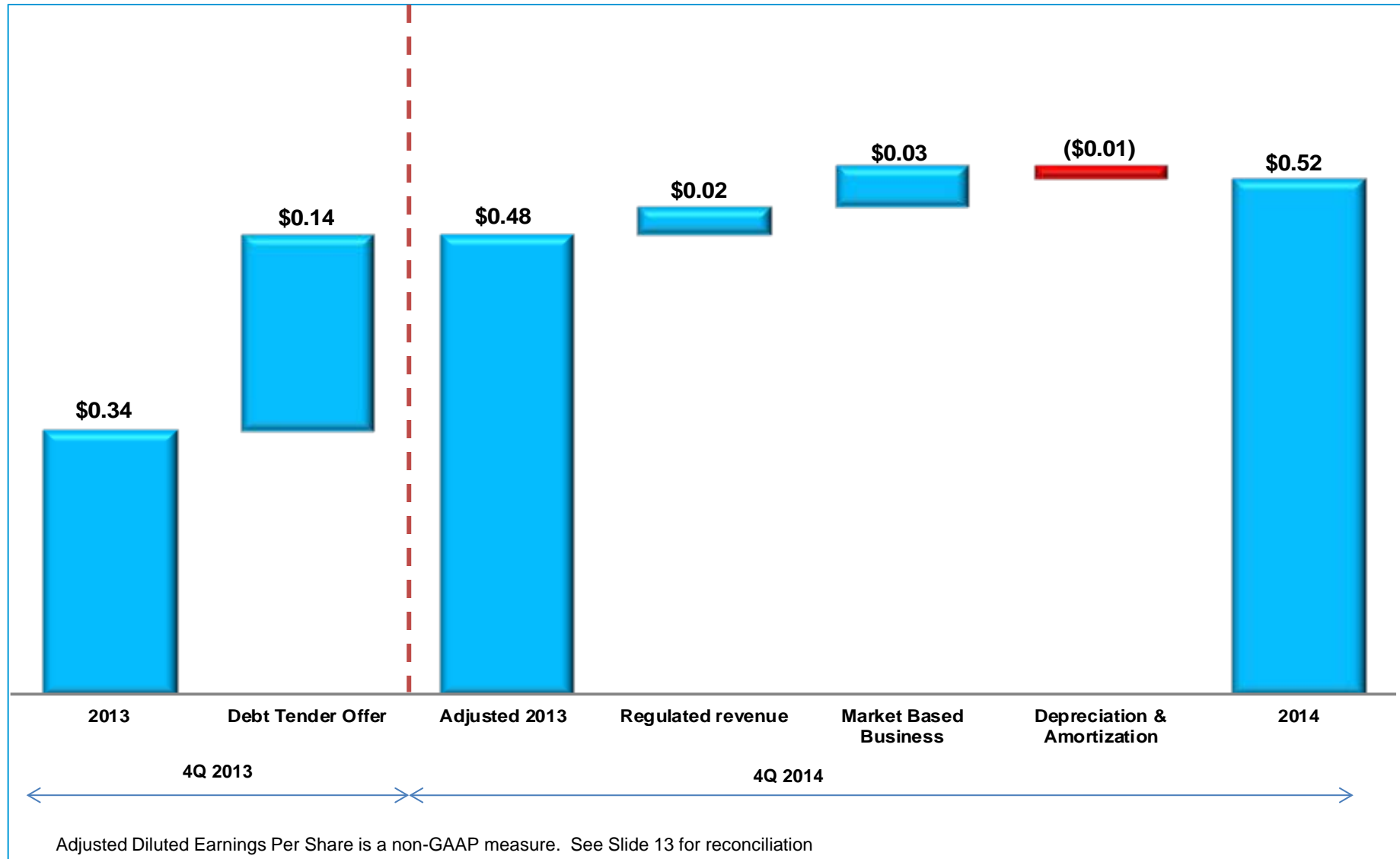
(Diluted Adjusted EPS from Continuing Ops)

	<u>2014</u>
Regulated	\$2.45
Market-Based	\$0.22
Parent Interest & Other	(\$0.24)
<b>Total Adjusted EPS</b>	<b><u>\$2.43</u></b>

### Note:

\* **Adjusted Diluted Earnings Per Share is a non-GAAP measure.**  
See appendix for reconciliation

# 2014 Fourth Quarter Adjusted diluted EPS from continuing operations bridge (Cents per common diluted share)

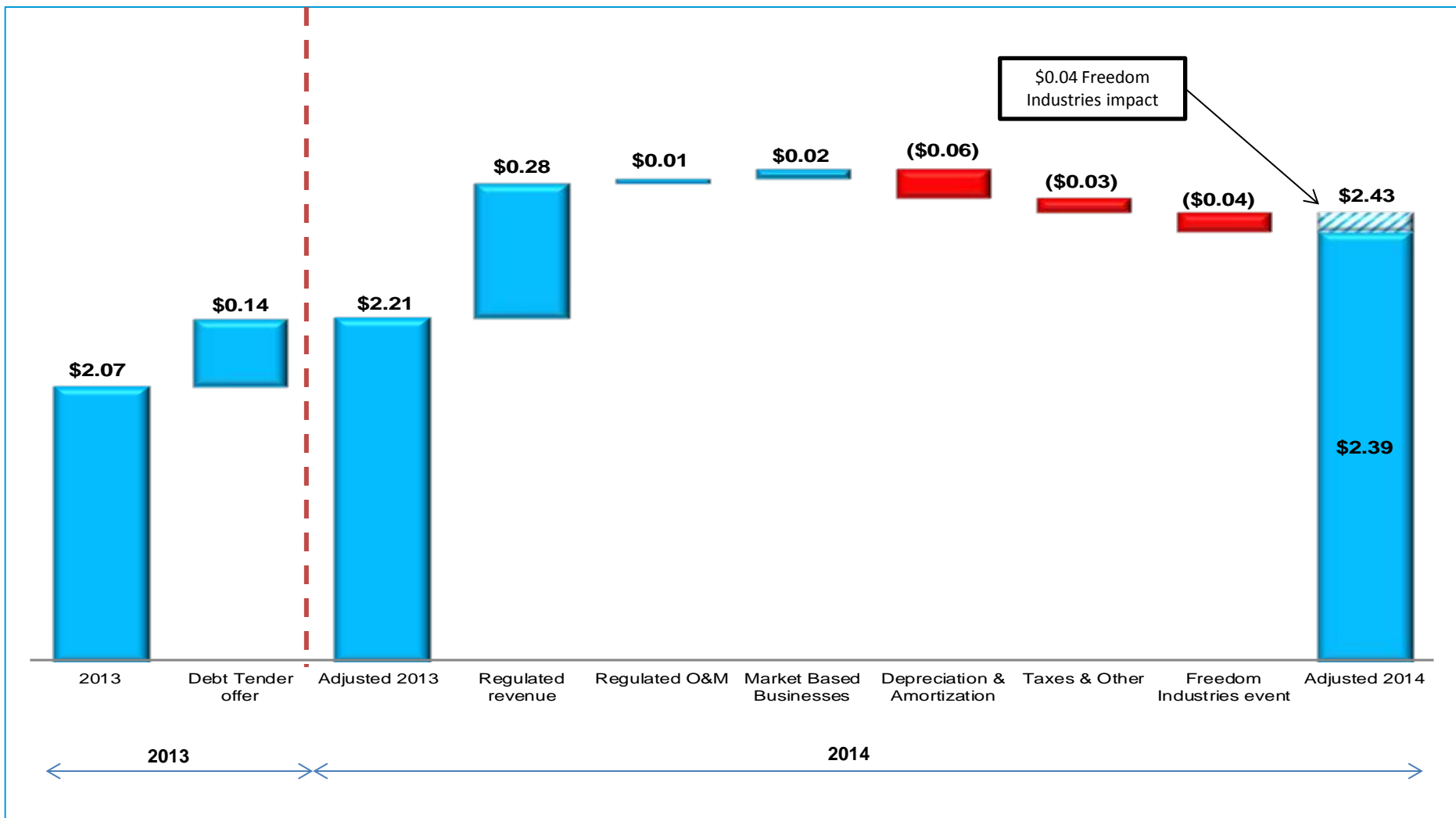


February 2015

# 2014 Year-end Adjusted diluted EPS from continuing operations bridge (Cents per common diluted share)

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Note: Both 2013 & 2014 includes approximately (\$0.05) impact due to unfavorable weather  
Adjusted Diluted Earnings Per Share is a non-GAAP measure. See appendix for reconciliation

February 2015

# Regulatory Highlights: Rate Cases Update

## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase	ROE Requested	Rate Base Filed
Kentucky WW	Case No. 2014-00390	11/14/2014	0.1	(a) N/A	N/A
Maryland	Case 9372	12/19/2014	0.8	11.00%	12.3
New Jersey	Docket No. WR15010035	1/9/2015	66.2	10.75%	2,405.5
			<b>\$67.1</b>		<b>\$2,417.8</b>

### B. Rate Case Settlement Awaiting Regulatory Approval

California	Case No. A.13-07-002	2/19/2015	\$24.0	(b) N/A	\$463.8
			<b>\$24.0</b>		<b>\$463.8</b>

### C. Infrastructure Charges Filed

Tennessee (QIIP, EDI & SEC)	Docket No. 14-00121	12/29/2014	\$2.4	(c)	\$19.6
			<b>\$2.4</b>		<b>\$19.6</b>

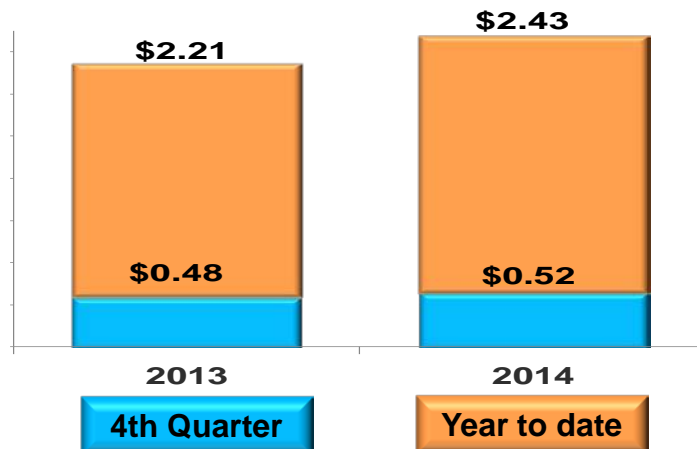
## Rates Effective in 2014 and 2015

	Date Effective	Revenue Increase	Comments
<b>D. Step Increases</b>			
New York	4/1/2014	\$1.2	Final Step
California	Various	1.9	Final Step
		<b>\$3.1</b>	
<b>E. Infrastructure Charges</b>			
New York (SIC)	1/1/2014	\$0.9	
New Jersey (DSIC)	1/1/2014	10.1	
Illinois (QIP)	1/1/2014	2.1	
New York (SIC)	3/3/2014	0.7	
New York (SIC)	4/1/2014	0.2	
Tennessee (see note)	4/15/2014	0.5	(e)
Missouri (ISRS)	5/30/2014	3.7	
New Jersey (DSIC)	7/1/2014	7.4	
Missouri (ISRS)	12/31/2014	9.0	
New Jersey (DSIC)	1/1/2015	9.4	
Illinois (QIP)	1/1/2015	5.4	(f)
Illinois (QIP)	2/1/2015	1.0	
		<b>\$50.4</b>	
<b>F. Rate Cases</b>			
Pennsylvania	1/1/2014	\$26.0	(g)
Iowa	4/18/2014	3.8	(h)
Indiana	1/29/2015	5.1	
		<b>\$34.9</b>	

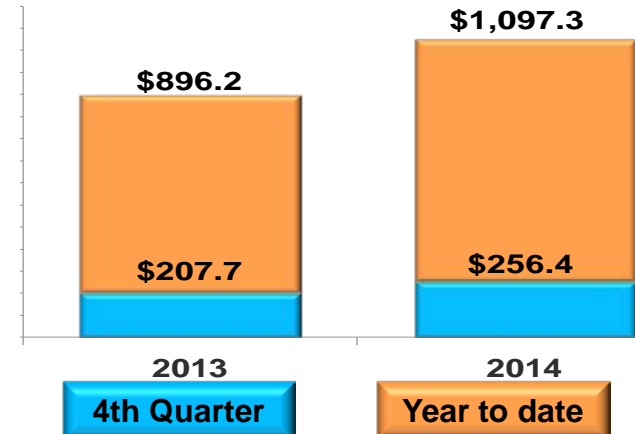
Note: See appendix for footnotes

# 2014 Summary of Financial Results

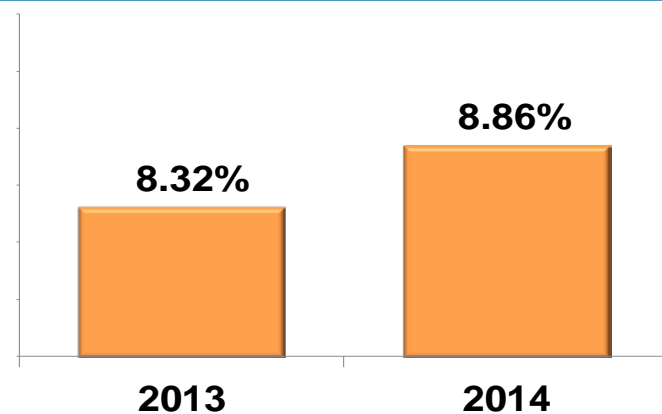
## Adjusted Diluted EPS from Continuing\*



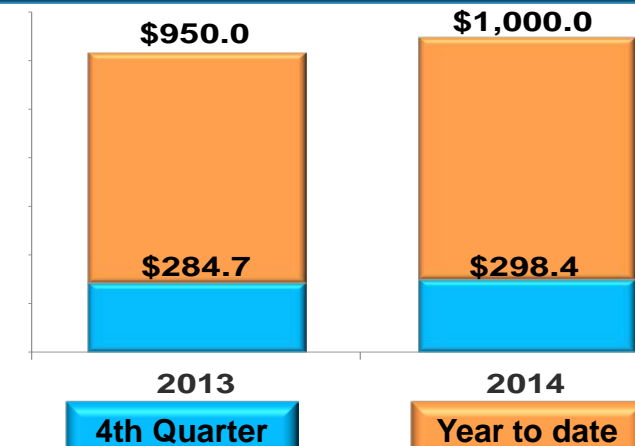
## Cash Flow From Operations (in millions)



## Adjusted Return on Equity\*



## Capital Investments (in millions)



\*Adjusted Diluted Earnings Per Share and Adjusted Return on Equity, Non-GAAP measures see appendix for reconciliation

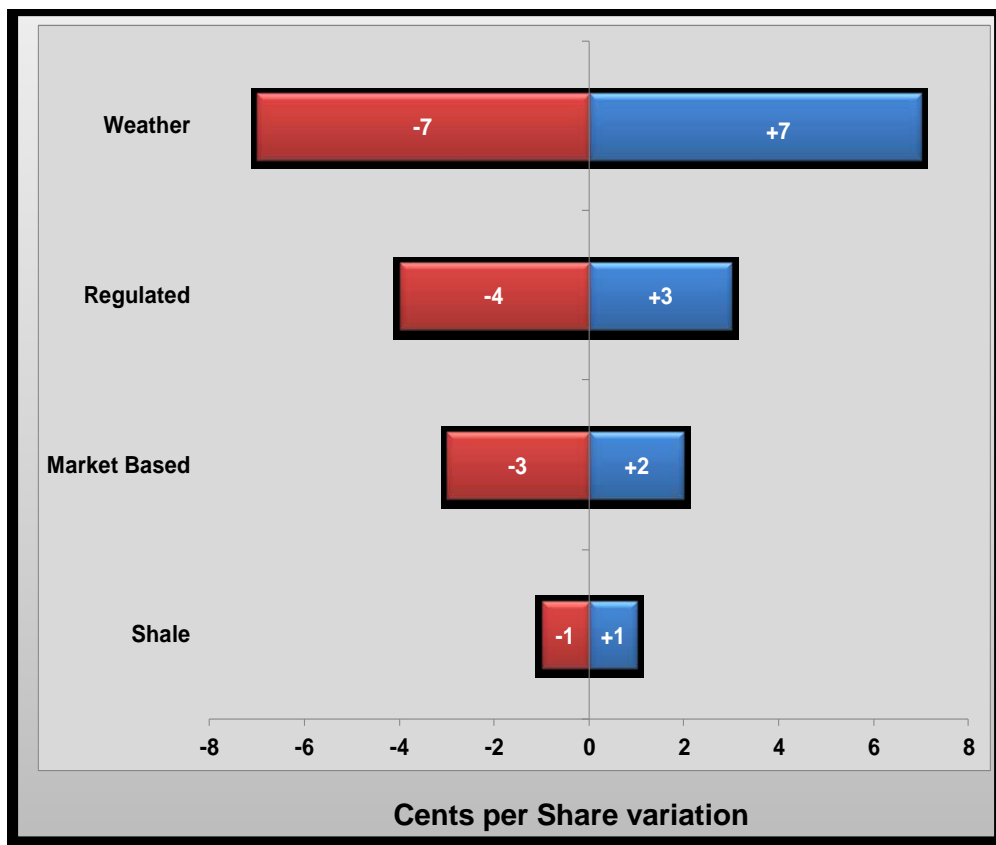
February 2015

# 2015 Guidance and Major Variables

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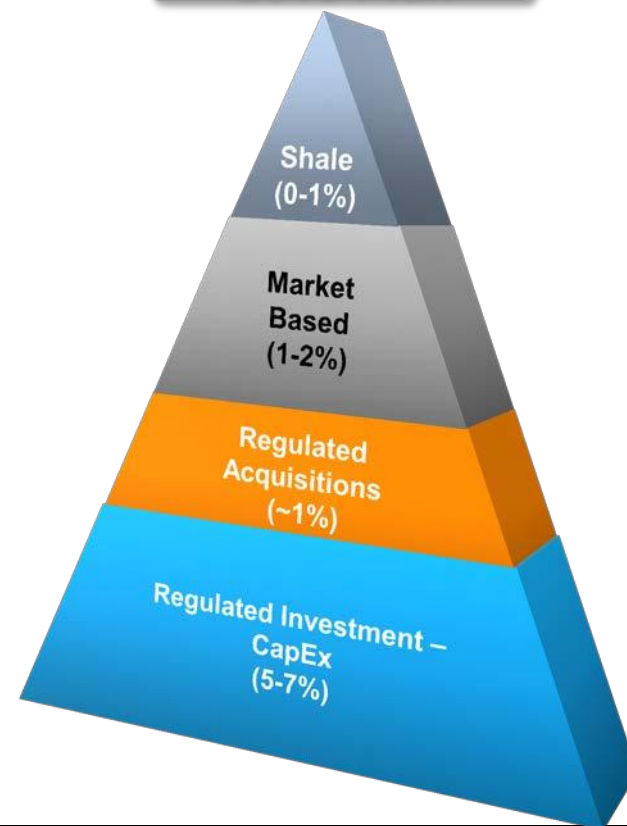
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Reaffirming 2015 Guidance: \$2.55 - \$2.65



EPS Growth Drivers

2015 Plan



- Guidance range includes a certain amount of variability, with weather representing the largest variable
  - Guidance range expected to cover normal weather variability; weather extremes are not included
  - Weather impacts will be quantified and disclosed for transparency
- 2015 EPS Guidance range includes approximately 2 cents EPS impact for potential legal costs related to Freedom Industries spill in West Virginia and 3 cents EPS impact related to adoption of new mortality tables for pension and other retirement benefit s expense

February 2015

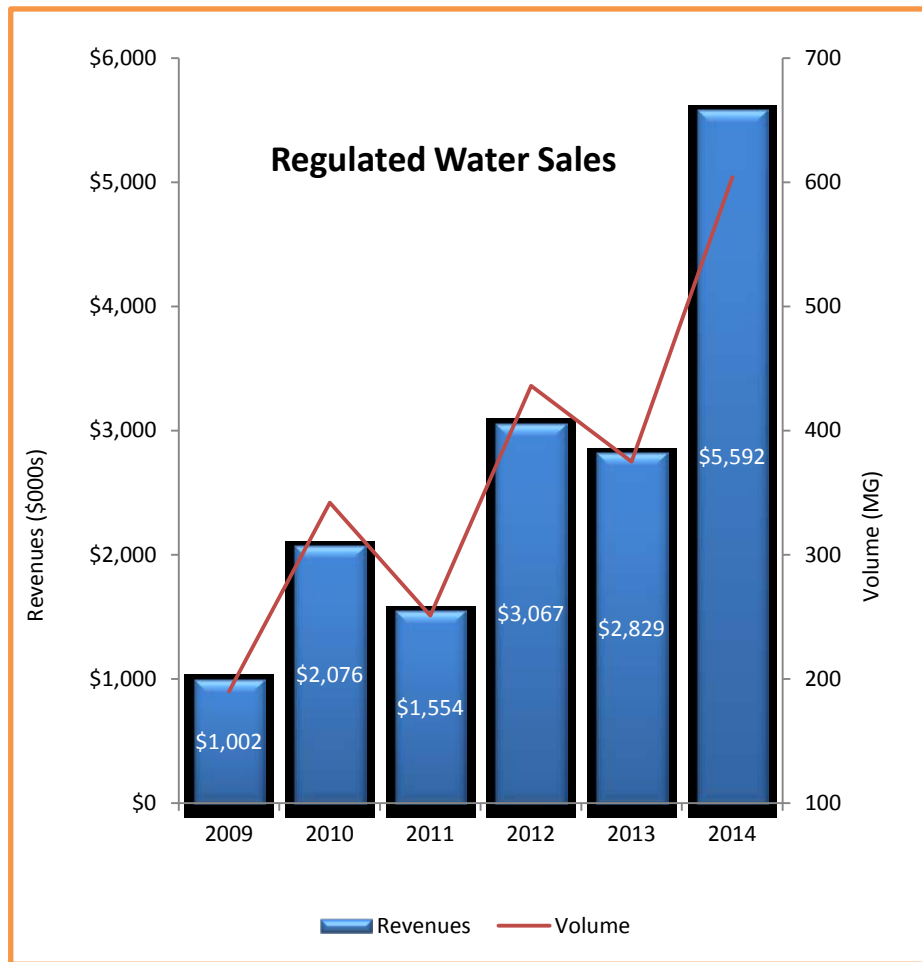
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**Susan Story**  
**President and Chief Executive Officer**







## Market Overview:

- Dynamic environment
- Reduction in 2015 Capex by E&P's
- Maintaining production volumes in 2015 due to previous commitments

## AWK Opportunities (0-1% EPS)

- Marcellus & Utica are least impacted (Lower cost)
- With reductions in E&P Capex, opportunities for deploying our capital
- Evaluating sustainable produced water treatment options

## Investor Relations Team:

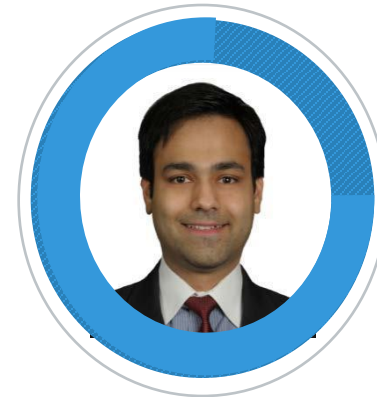


**Ed Vallejo**

Vice President – Investor Relations

[Edward.vallejo@amwater.com](mailto:Edward.vallejo@amwater.com)

**AWK  
LISTED  
NYSE**



**Durgesh Chopra**

Director – Investor Relations

[Durgesh.chopra@amwater.com](mailto:Durgesh.chopra@amwater.com)

Tel: 856-566-4005

Fax: 856-782-2782

**Q1 2015 Earnings Call: May 7, 2015, 9 a.m. ET**

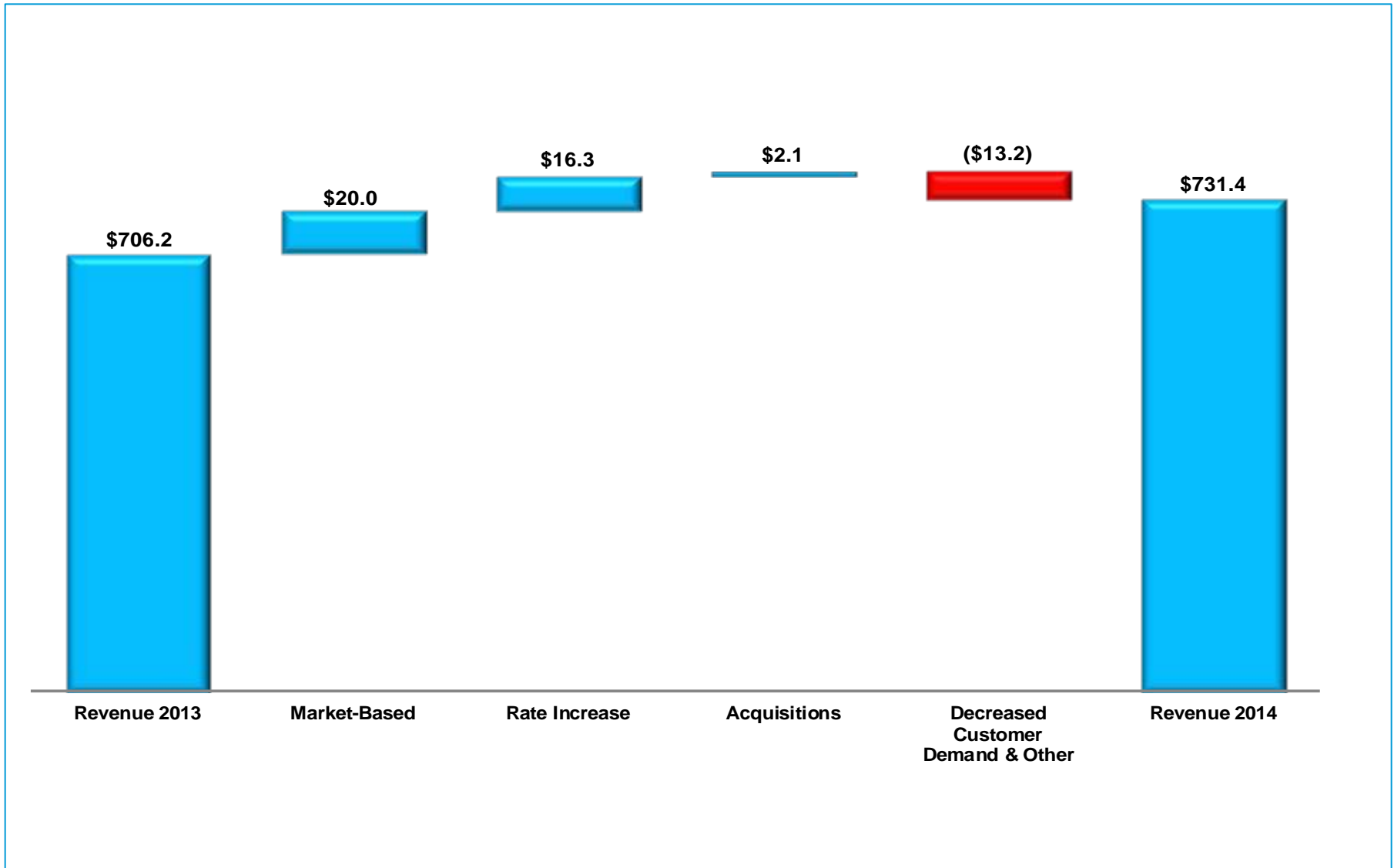
NYSE: AWK

## Appendix



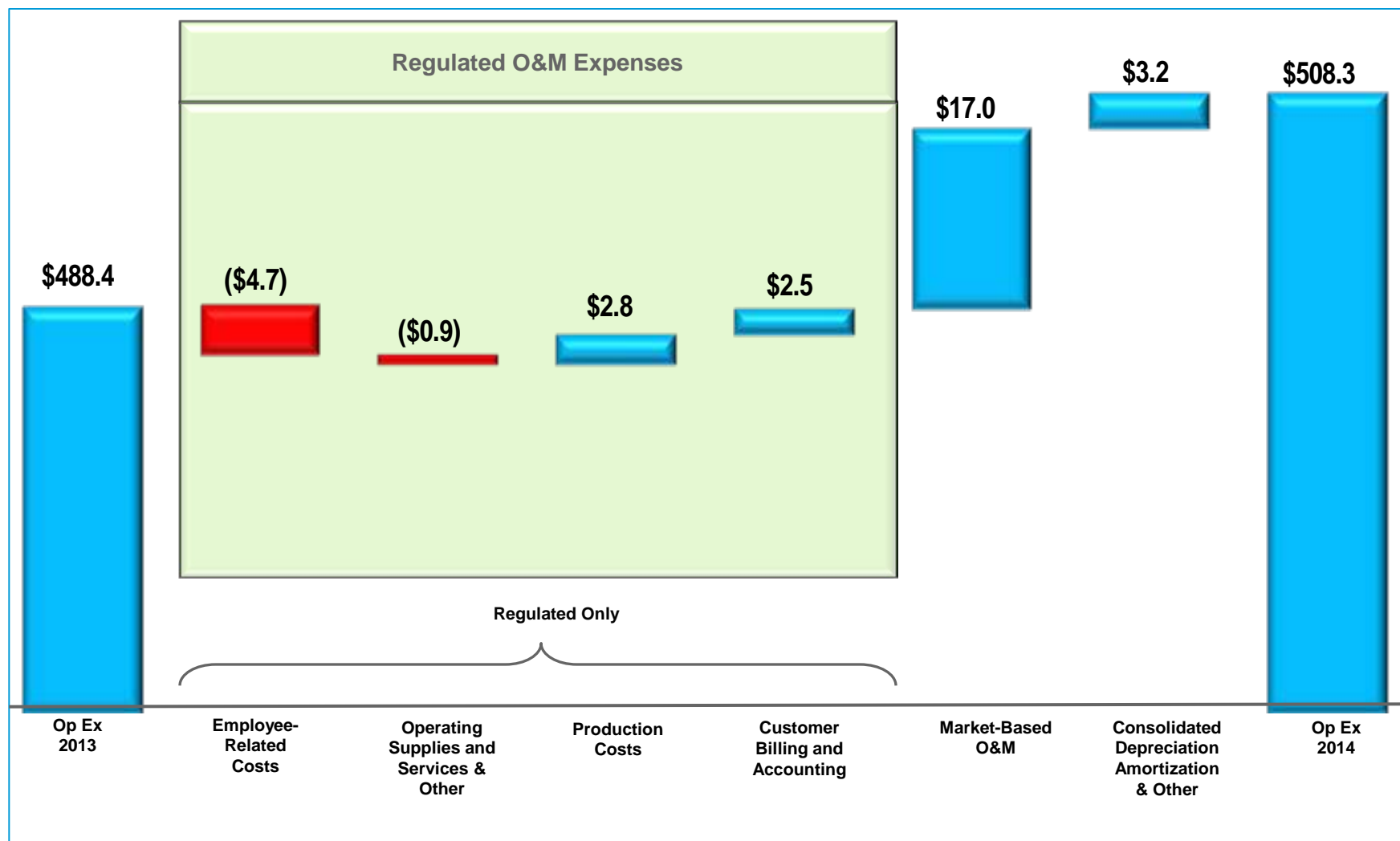
# 2014 Fourth Quarter Revenue Breakdown

(\$ in millions)



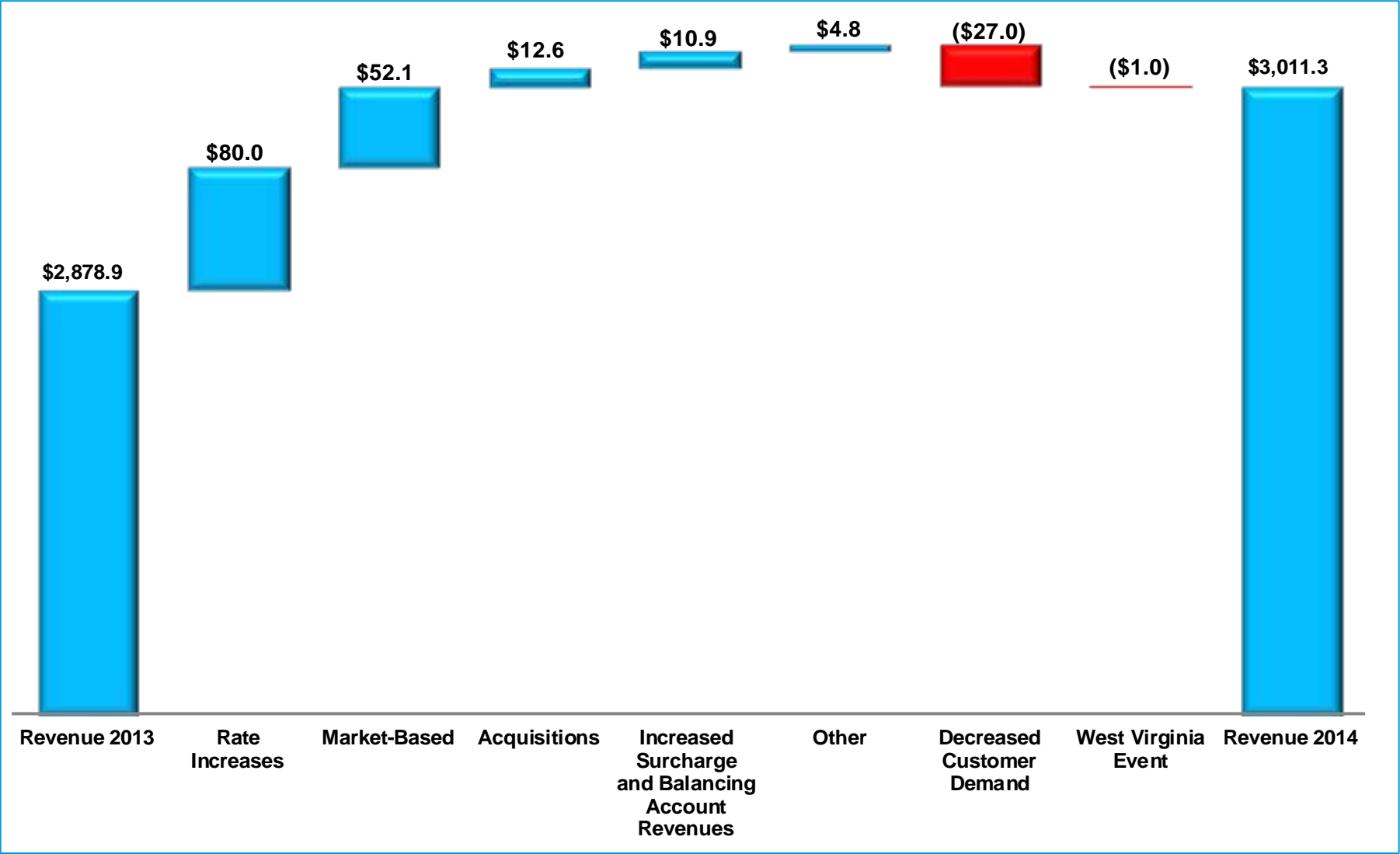
# 2014 Fourth Quarter Operating Expense Breakdown

(\$ in millions)



# FY 2014 Revenue Breakdown

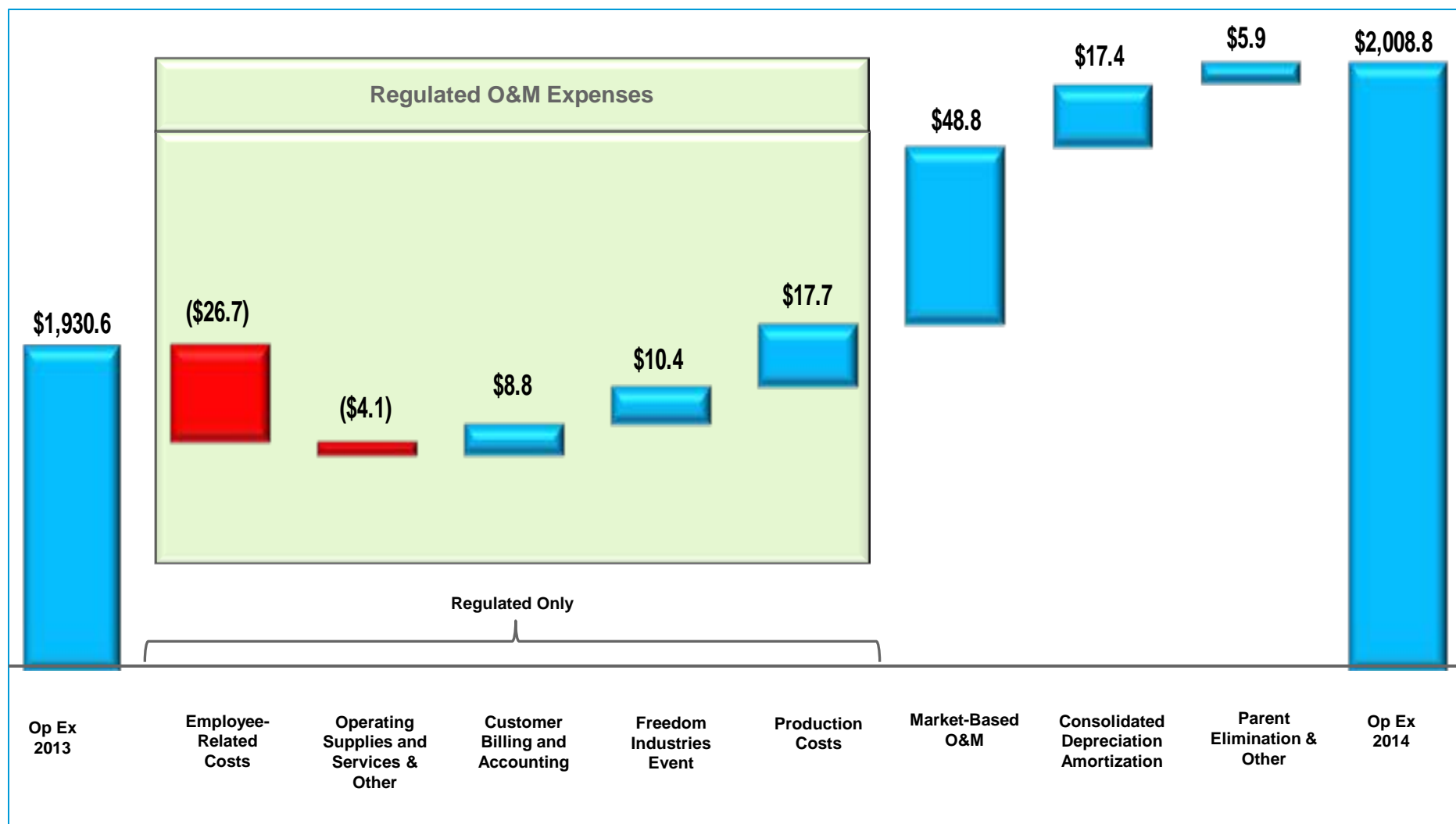
(\$ in millions)



Note: Both 2013 & 2014 includes unfavorable weather, please see appendix slide 33 for weather impacts











# FY 2014 Operating Expense Breakdown

(\$ in millions)



# Regulated Utilities – Rate Base and Allowed Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

 CALIFORNIA AMERICAN WATER			 ILLINOIS AMERICAN WATER			 INDIANA AMERICAN WATER			 KENTUCKY AMERICAN WATER			 MISSOURI AMERICAN WATER		
Authorized Rate Base*	\$374,404		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)				
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%					
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)				
Effective Date of Rate Case	7/12/2012	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012					
 NEW JERSEY AMERICAN WATER			 NEW YORK AMERICAN WATER			 PENNSYLVANIA AMERICAN WATER			 VIRGINIA AMERICAN WATER			 WEST VIRGINIA AMERICAN WATER		
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)				
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)				
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)				
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013					
*Rate Base stated in \$000s														

\*Rate Base stated in \$000s

### Notes:

- a) CA has a separate Cost of Capital case, A11-05-003, which sets the rate of return outside of a general rate proceeding.
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# Regulatory Highlights: Rate Cases Update Footnotes

- (a) Kentucky utilized the Alternative Rate Filing process designed for small utilities to file their case for their wastewater customers. The request for the proposed increase contemplates a two-step increment with the year one increase of 9.73% or \$29k and the second year increase of 10.70% or \$32k for a combined increase of \$61k.
- (b) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million which includes a test year 2015 revenue requirement increase from the date of filing of \$12.7 million, with increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively. The rate base amount listed as filed is the average rate base as proposed in the settlement for the three year period.
- (c) Supplemental filing to remove operational expenses related to SEC waste removal project (\$0.2 million), to now be collected under the 2015 PCOP mechanism. The original filing date was October 29, 2014.
- (d) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is appealing. The 2014 step increases are included in the current rate case request.
- (e) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("EDI") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k.
- (f) Illinois implemented a \$5.4 million infrastructure surcharge, which is \$0.8 million more than the \$4.6 million surcharge originally proposed in its 12/19/2014 filing.
- (g) The revenue increase from the PA GRC of \$26 million does not include \$19.8k DSIC revenues that were effective in 2013.
- (h) The annual revenue increase of \$3.8 million from the IA GRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.

# Comparison of Water Sales Volume

<u>Customer Class</u>	<u>Billed Water Sales Volumes</u> (In Millions of Gallons)			
	<u>Year End</u>			
	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>Percentage</u>
Residential	176,975	180,976	-4,001	-2.2%
Commercial	81,564	80,392	1,172	1.5%
Industrial	39,833	37,107	2,726	7.3%
Public & Other	52,710	51,009	1,701	3.3%
<b>Total</b>	<u>351,082</u>	<u>349,484</u>	<u>1,598</u>	<u>0.5%</u>

# Rate Base Calculation

## Rate Base as of December 31, 2014<sup>(1)</sup>

(\$ in Thousands)

Net Utility Plant	\$12,899,704
Less	
Advances for Construction	\$367,693
CIAC – Contributions in Aid of Construction	\$1,074,872
Net Deferred income taxes	\$2,034,138
Deferred investment tax credits	\$25,014
Sub Total	\$3,501,717
<b>Rate Base</b>	<b>TOTAL \$9,397,987</b>

(1) An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes

# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding

# Reconciliation Tables – Adjusted Return on Equity

(A Non-GAAP Unaudited Number)	For the Twelve Months Ended December 31,	
	2014	2013
<i>(\$ in thousands )</i>		
Net income	\$423,108	\$369,264
Adjustments:		
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$7,007	
Loss (income) from discontinued operations	\$6,733	\$1,580
<b>Adjusted net income from Continuing Operations</b>	<b>\$436,848</b>	<b>\$395,600</b>
Stockholders' equity	\$4,915,591	\$4,727,804
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$7,007	
Loss (income) from discontinued operations	\$6,733	\$1,580
<b>Adjusted stockholders' equity</b>	<b>\$4,929,331</b>	<b>\$4,754,140</b>
<b>Adjusted Return on Equity</b>	<b>8.86%</b>	<b>8.32%</b>

# Reconciliation Table – Regulated O&M Efficiency Ratio

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## Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)

(\$ in thousands)

	FY	FY	FY	FY	FY
	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

February 2015

# Reconciliation Table – Closed & Pending Acquisitions

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Acquisitions				
2014 Closed Acquisitions				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
IL	1		500	500
IN	2	754		754
KY	1	466	392	858
MO	2	485	442	927
NJ*	1			
NY	2	419	413	832
PA	4	36	618	654
Total	<u>13</u>	<u>2,160</u>	<u>2,365</u>	<u>4,525</u>
Announced Pending Acquisitions**				
(As of Feb 25, 2015)				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
CA	3	2,098	253	2,351
IN	1	420		420
MO	3	25	9,150	9,175
NJ	1	4,500	4,500	9,000
PA	3	196	405	601
Total	<u>11</u>	<u>7,239</u>	<u>14,308</u>	<u>21,547</u>

\*NJ American acquired the treatment plant and pump stations but previously had owned the collection systems so no additional customers

\*\*Announced pending defined as awaiting Municipal and/or Regulatory approval

February 2015

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# Institutional Investor Presentation

**March 2015**





# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, timing of the Orlando home warranty protection program launch, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including as related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events, including drought or abnormally high rainfall, strong winds and coastal, intercoastal flooding and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including, concession arrangements and agreements for the provision of water services to facilitate hydraulic fracking in shale regions; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on the company's current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws

NYSE: AWK

## American Water Overview



# American Water: The Premier Water Services Provider in North America

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## Market Statistics\*

- **\$15.6 Billion** Total Enterprise Value
- **700,000** Average Trading Volume
- **\$9.6 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
  - 89% Regulated, 11% Market Based
- **25.2%** Total Shareholder Return for Last 12 Months
- **2.3%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,400** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

\* Market data as of February 27, 2015, Source : FactSet

March 2015

# Why American Water is the right investment for you

**AWK**  
**LISTED**  
**NYSE**

- Industry Leading **7-10%** Long Term EPS Growth with **0.8** Beta\*
- **8%** Dividend Growth rate Top Quartile in Utilities\*\*
- Operational Excellence Minimizes Bill Increases **2%** on average
- Commitment to Innovation & Environmental Stewardship, over **600** technologies examined

\*Source : Thomson Reuters

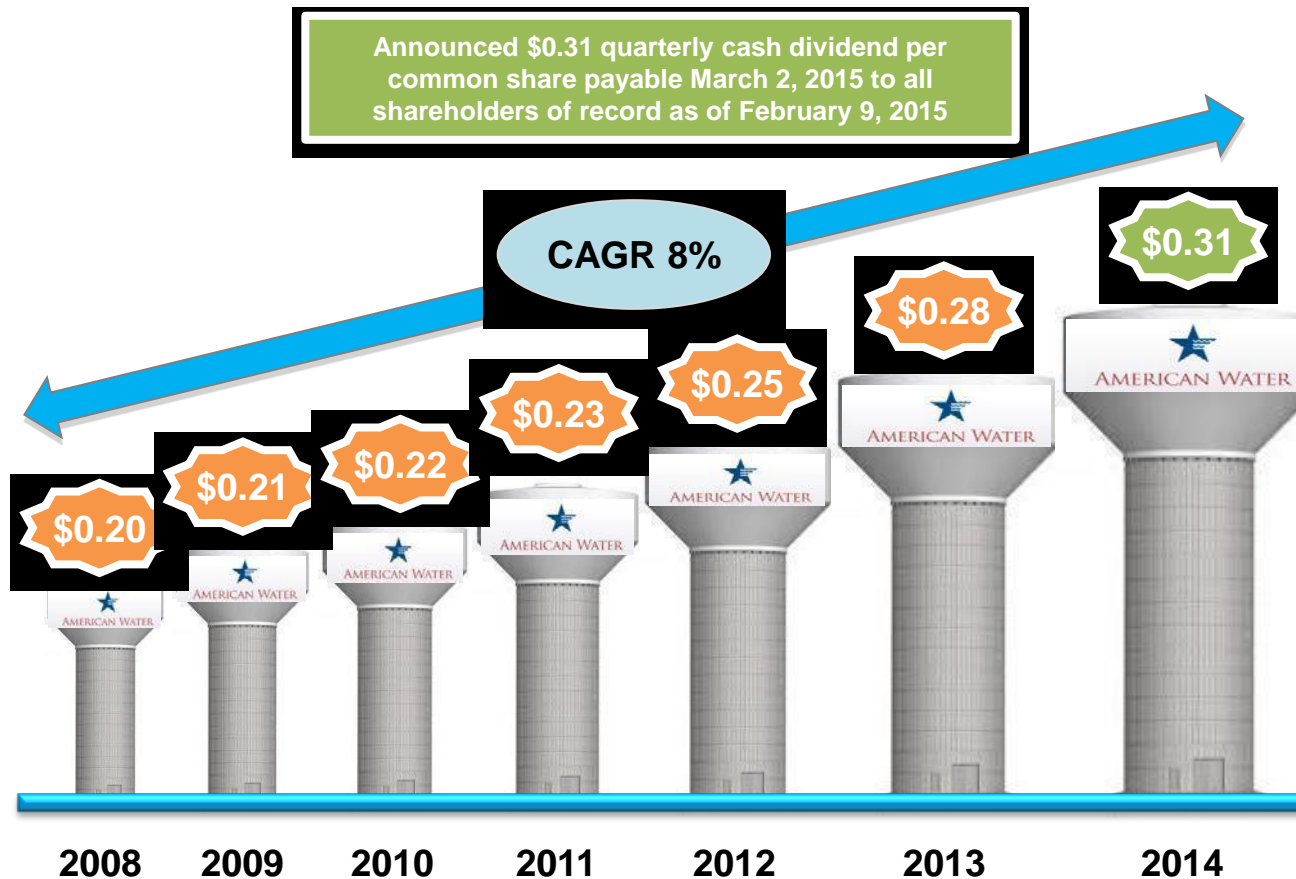
\*\*Source: Factset , Top quartile dividend paid CAGR, Time Period: 2010 – 2014

Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , CTWS , CWT , MSEX , SJW , WTR , YORW  
 March 2015

# Long History of Consistent Annual Dividend Growth

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## Dividend Practice

- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income

**Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers\***

\* Source: Factset: Time Period: 2010 – 2014 Dividend Paid CAGR

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, CTWS, CWT, MSEX, SJW, WTR, YORW.

March 2015

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www.amwater.com

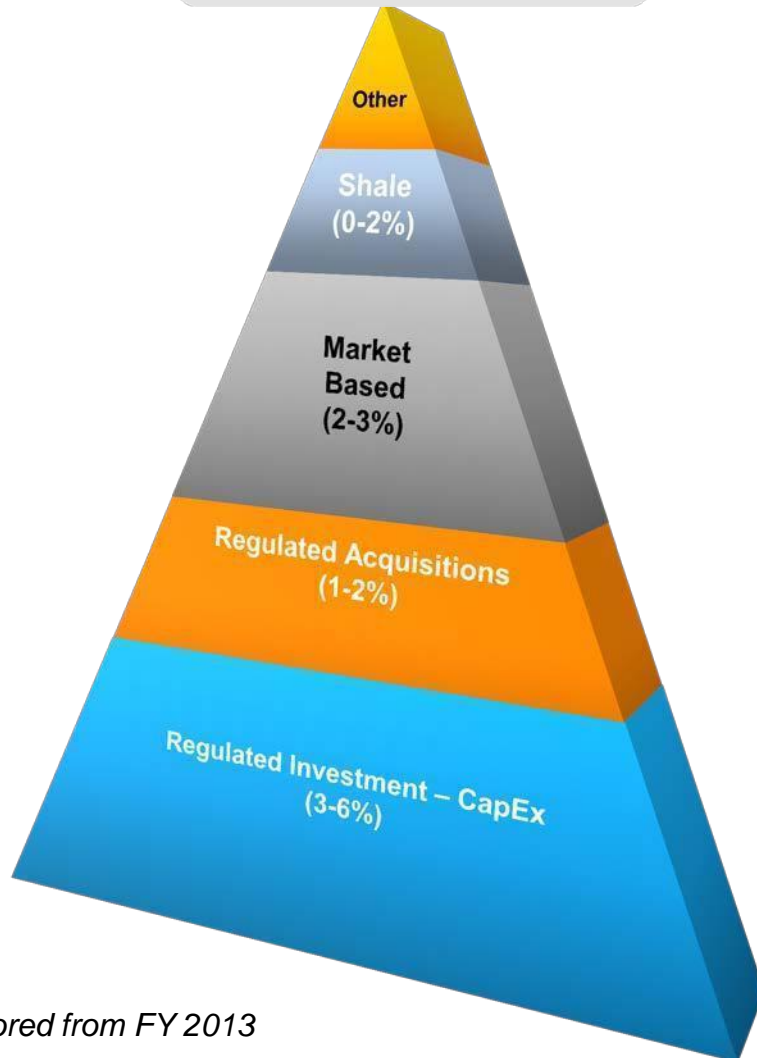
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# Our Future: Our commitment over the next 5 years

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## 2015 - 2019 Plan



- Industry Leading **7-10%**  
Long Term EPS Growth\*
- \$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

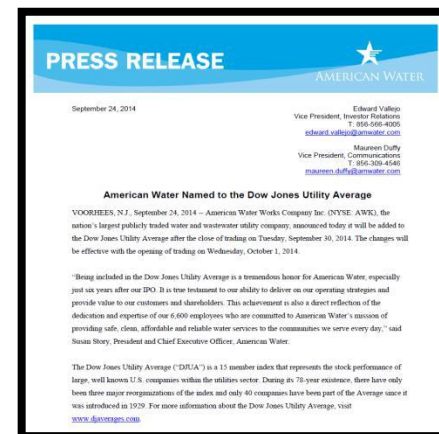
\*Anchored from FY 2013

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## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Referendum Wins

- Haddonfield, NJ
- Russiaville, IN
- Arnold, MO



American Water (AWK) has emerged as the clear winner in the US mid-term elections, at least in terms of boosting its regulated asset portfolio. Ratepayers in the Borough of Haddonfield, NJ voted earlier this week to sell their water and wastewater systems to American Water for \$28.5 million, while the City of Arnold, MO, ended a multi-year debate by agreeing to sell its sewer system to AWK for \$13.2 million. The Town of Russiaville, IN, meanwhile, voted overwhelmingly to sell its water system to AWK for \$1.8 million.

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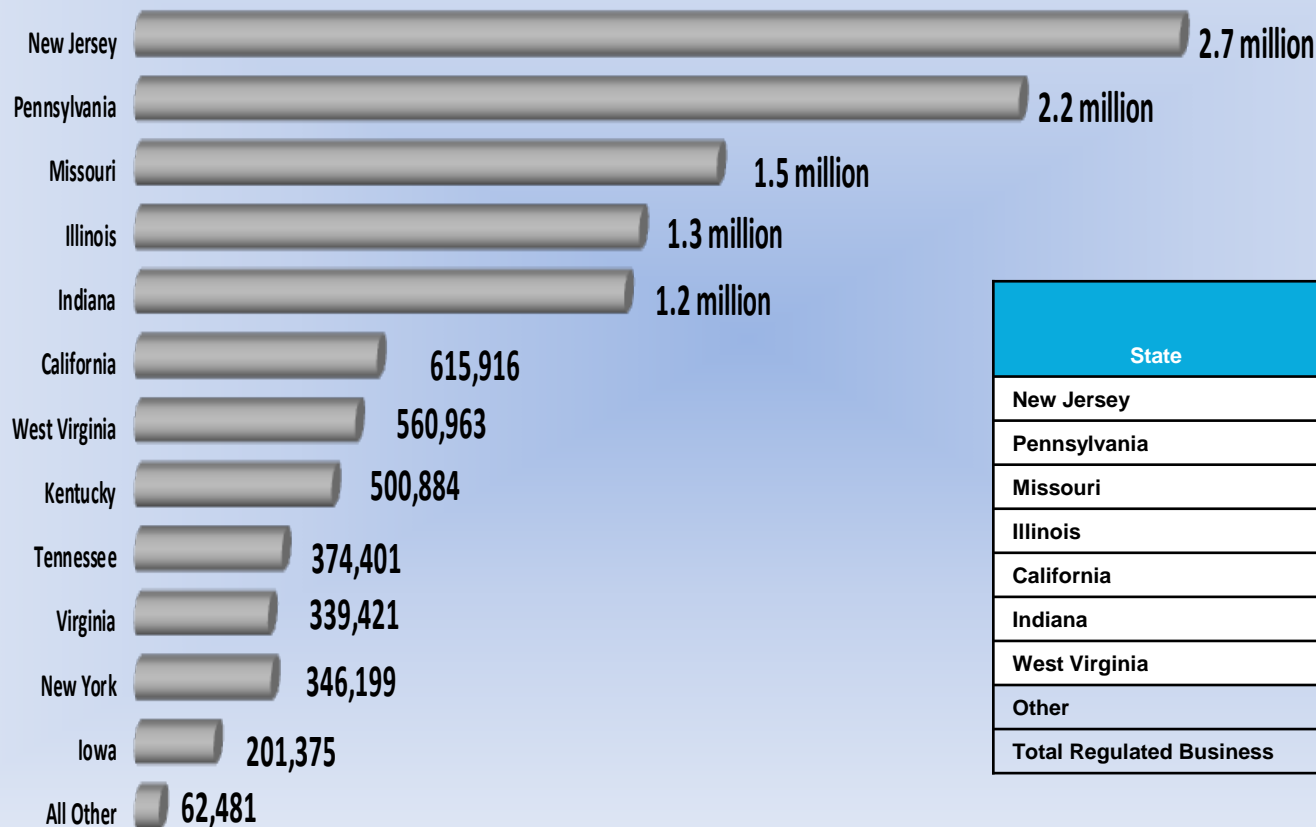
## **Our Regulated Business**





## States Where We Operate

(approximate population served by state )\*

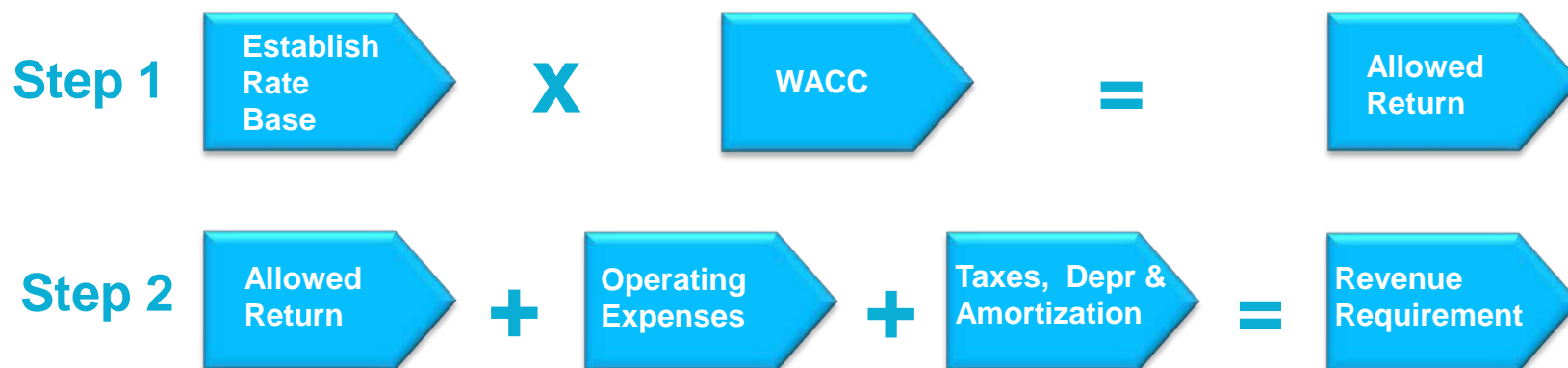


State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
<b>Total Regulated Business</b>	<b>\$2,674.3</b>	<b>100%</b>

\* Population data for FY 2014

# The Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases



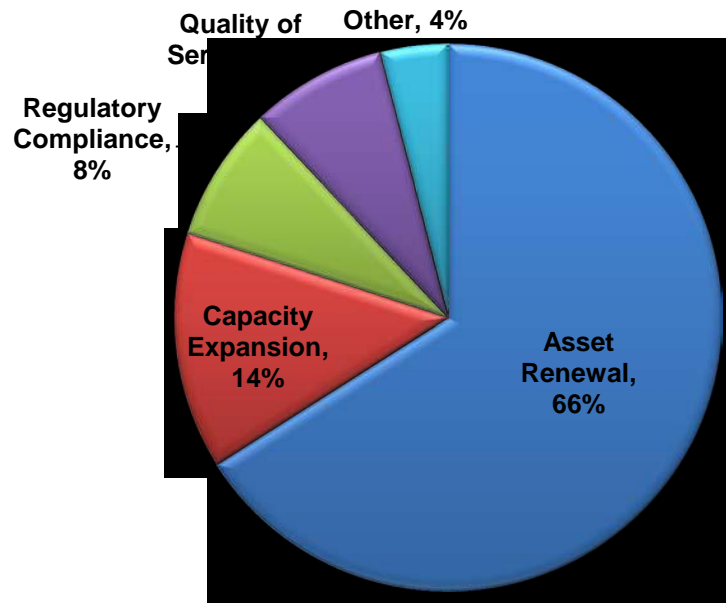
American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

# Investment in Water and Wastewater Industry is urgently needed

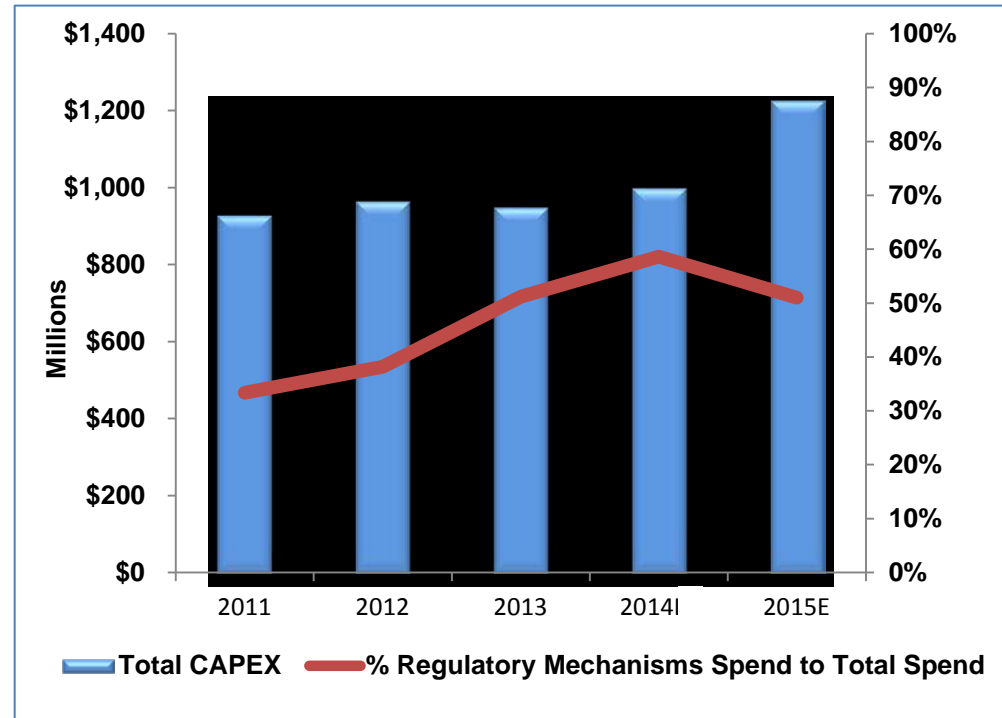
- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

# Regulatory Capital Investment of \$5.2 billion over next five years

2015 – 2019 Average Capital Expenditures by Purpose

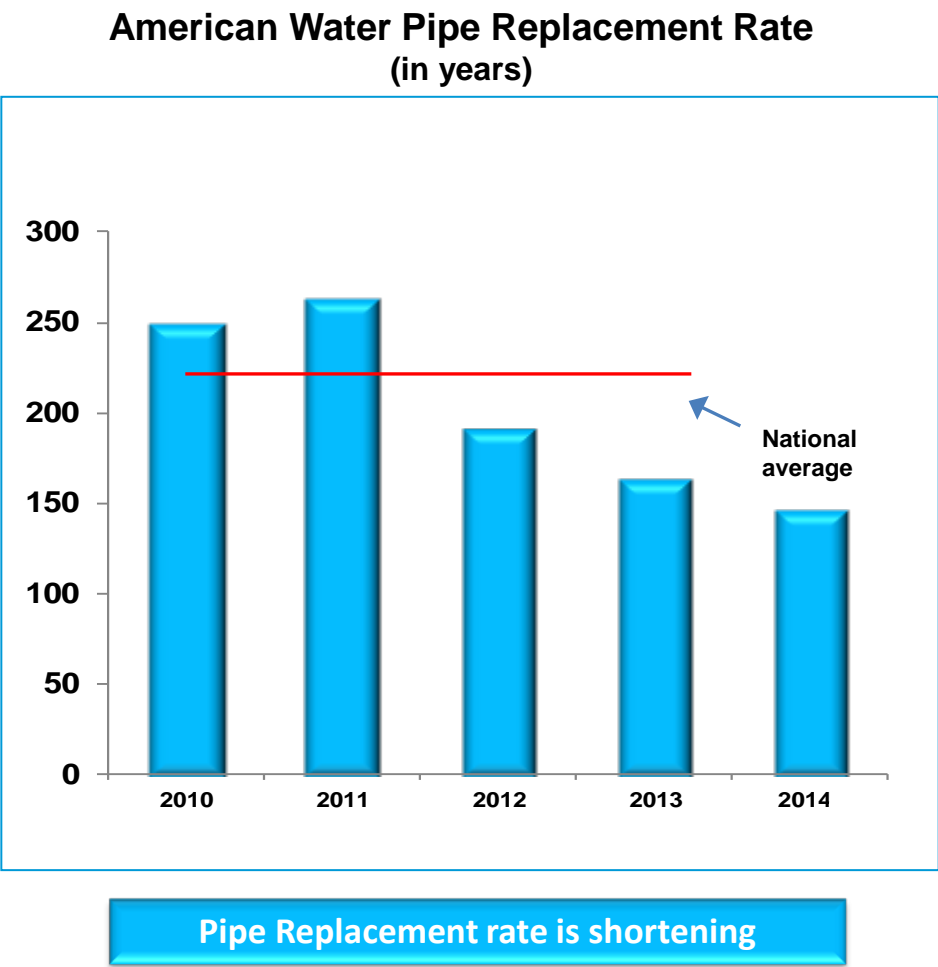
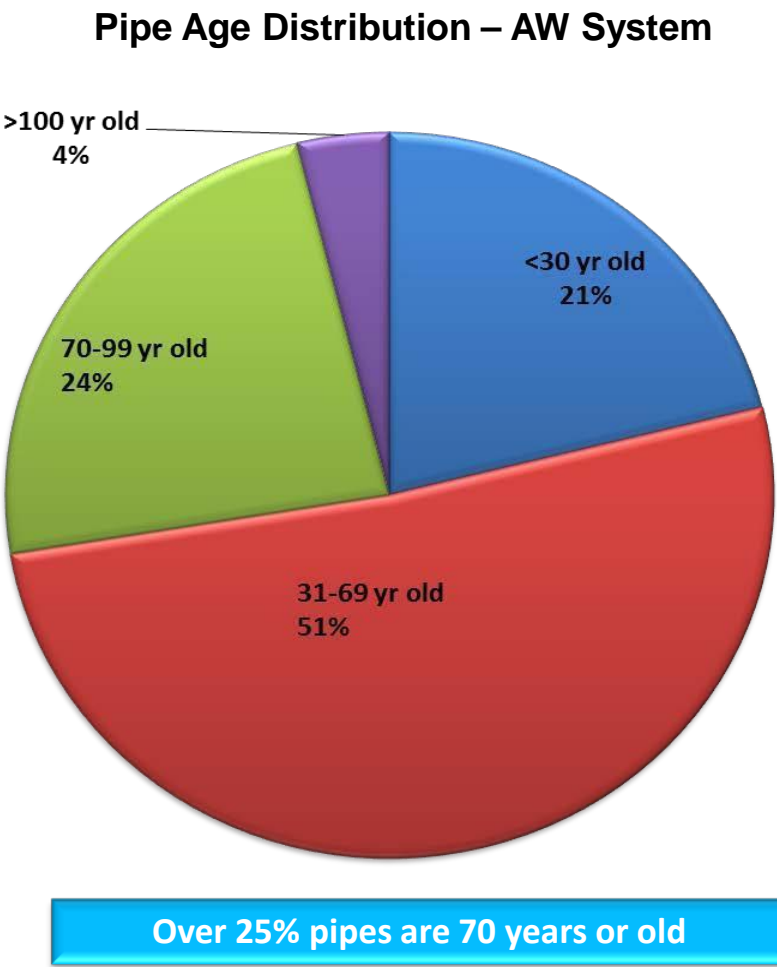


Investments covered by Regulatory Mechanisms



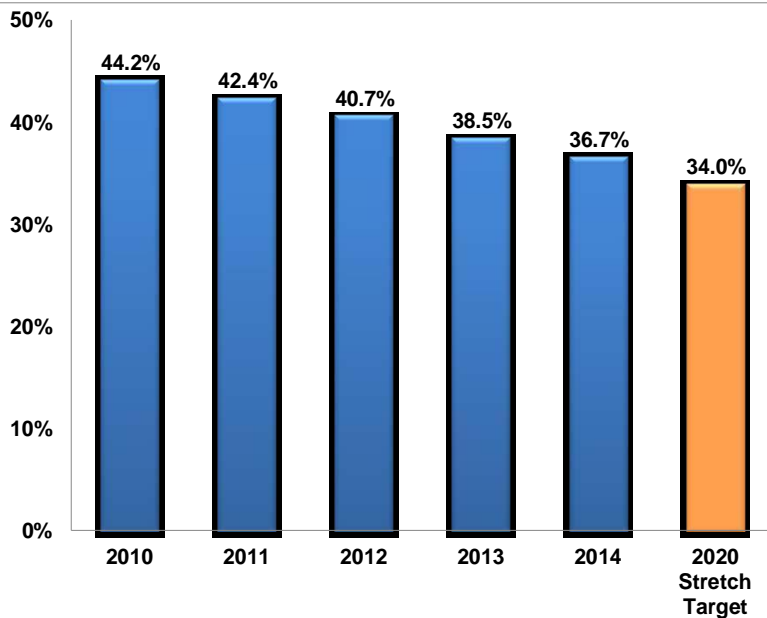
Note

(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years



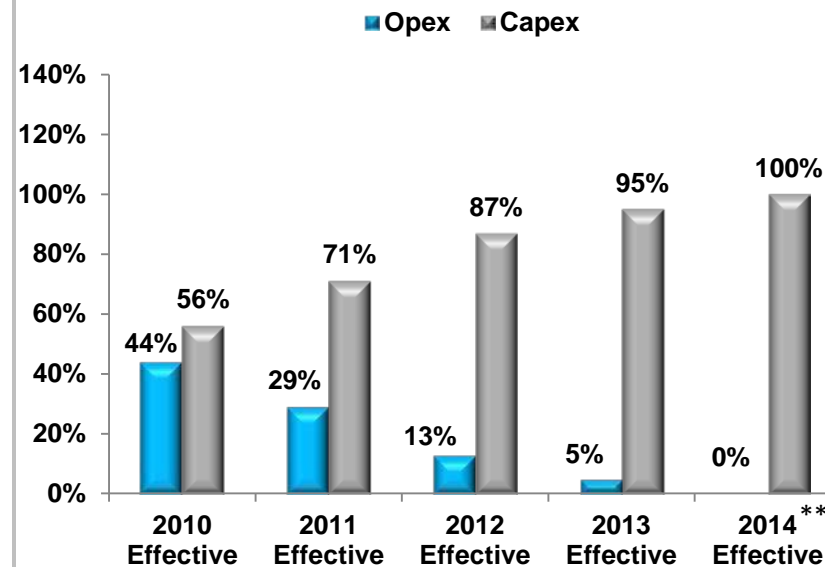
# Our Disciplined Approach to Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:

\* Approximation in states where we received black box award

\*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

## Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
<b>NJ</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X</b>
<b>PA</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b> <sup>(3)</sup>
<b>MO</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X</b> <sup>(3)</sup>
<b>IL</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>IN</b>	<b>X</b>	<b>X</b>		<b>X</b>		<b>(5)</b>
<b>WV</b>				<b>X</b>		
<b>CA</b>		<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>
<b>KY</b>		<b>X</b>		<b>X</b>	<b>X</b>	
<b>NY</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b> <sup>(2)</sup>	<b>X</b>
<b>TN</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b> <sup>(3)</sup>
<b>VA</b>	<b>X</b> <sup>(4)</sup>	<b>X</b>	<b>X</b>		<b>X</b>	
<b>IA</b>				<b>X</b>		
<b>HI</b>		<b>X</b>				
<b>MD</b>			<b>X</b>			

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/ Waste Water Infrastructure Surcharge (A DSIC mechanism).

(5) Indiana has included declining usage in current case, but no results have been received yet in this litigated case.

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## Our Market-Based Business





# Market based businesses generate complementary opportunities for growth

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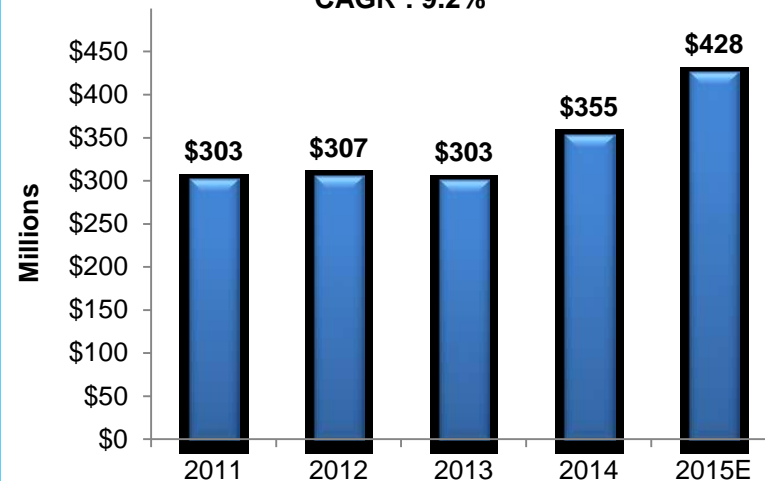
## Lines of Business

- Homeowner Services (HOS)
- Contract Operations
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

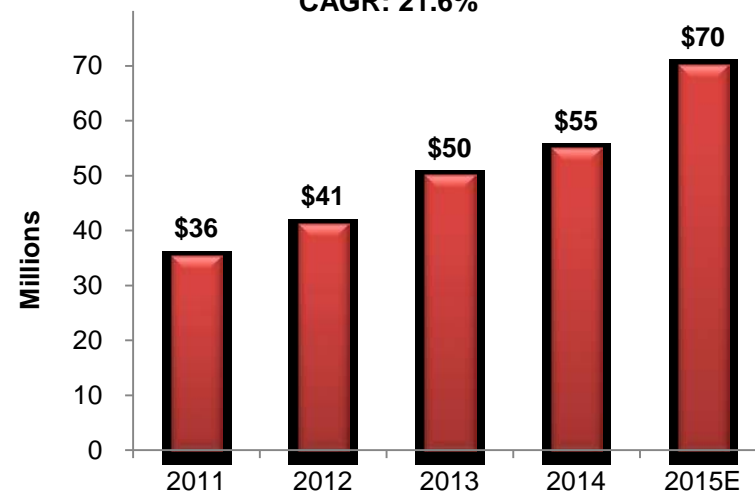
## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets

## Revenues CAGR : 9.2%



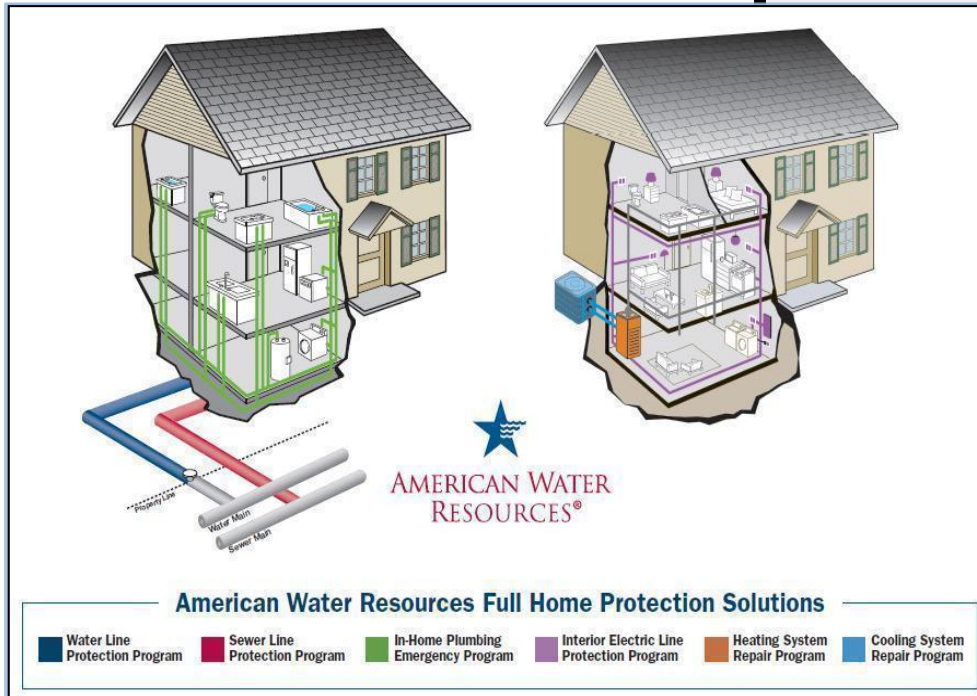
## Operating Income CAGR: 21.6%



Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

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# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***

# Military Services: Overall Growth Strategy

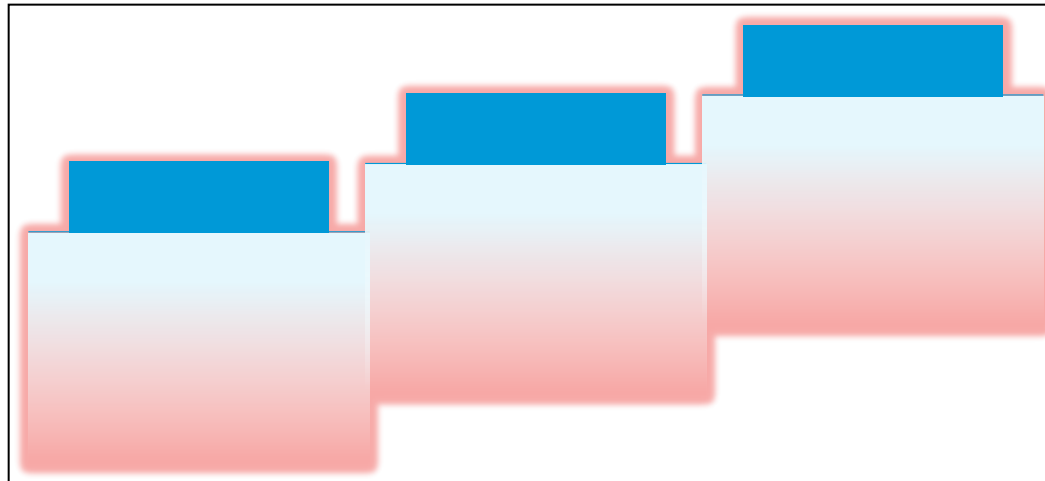
## Add New Customers

### Current Bases

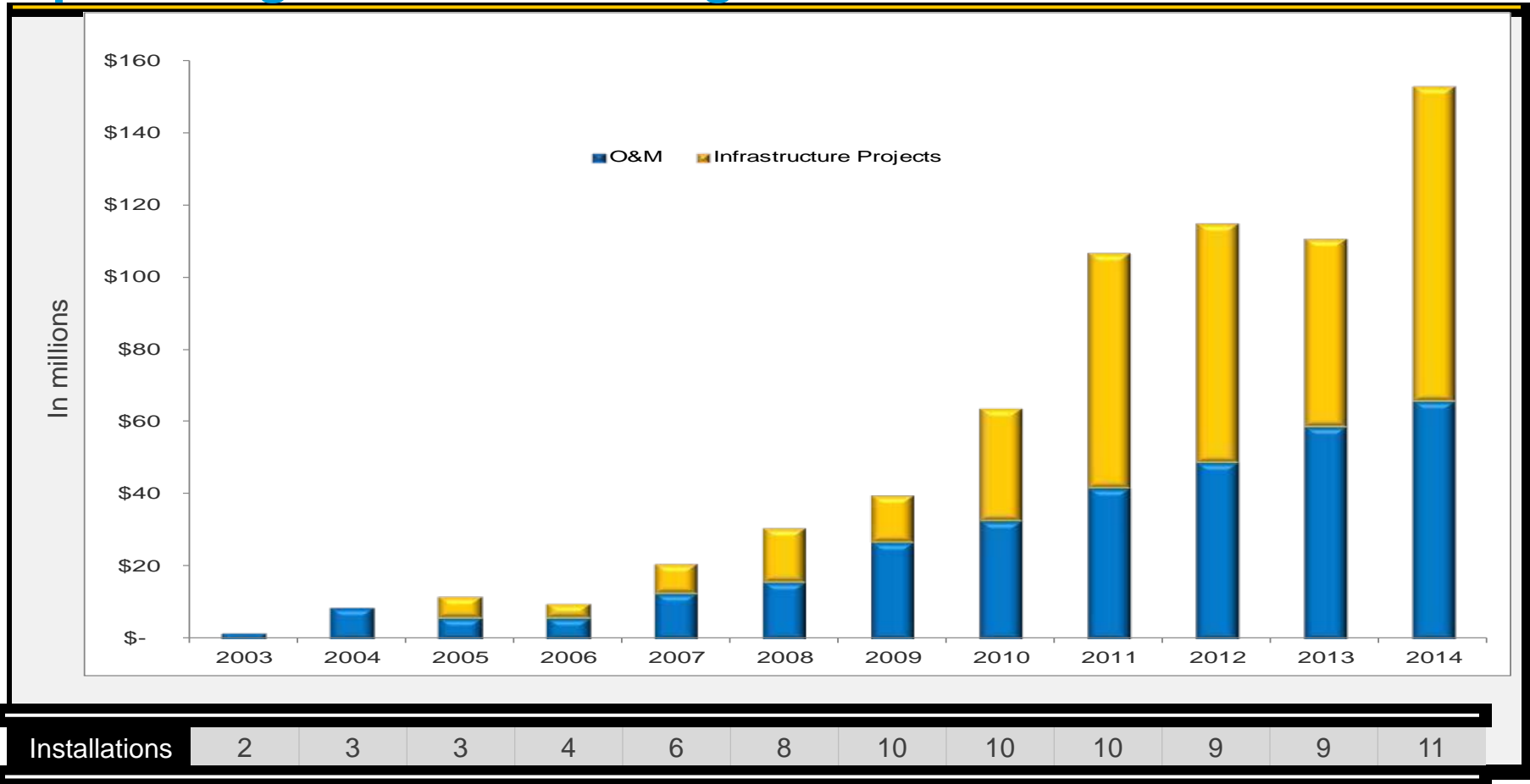
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Leavenworth (39 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)

## Optimize Existing Bases

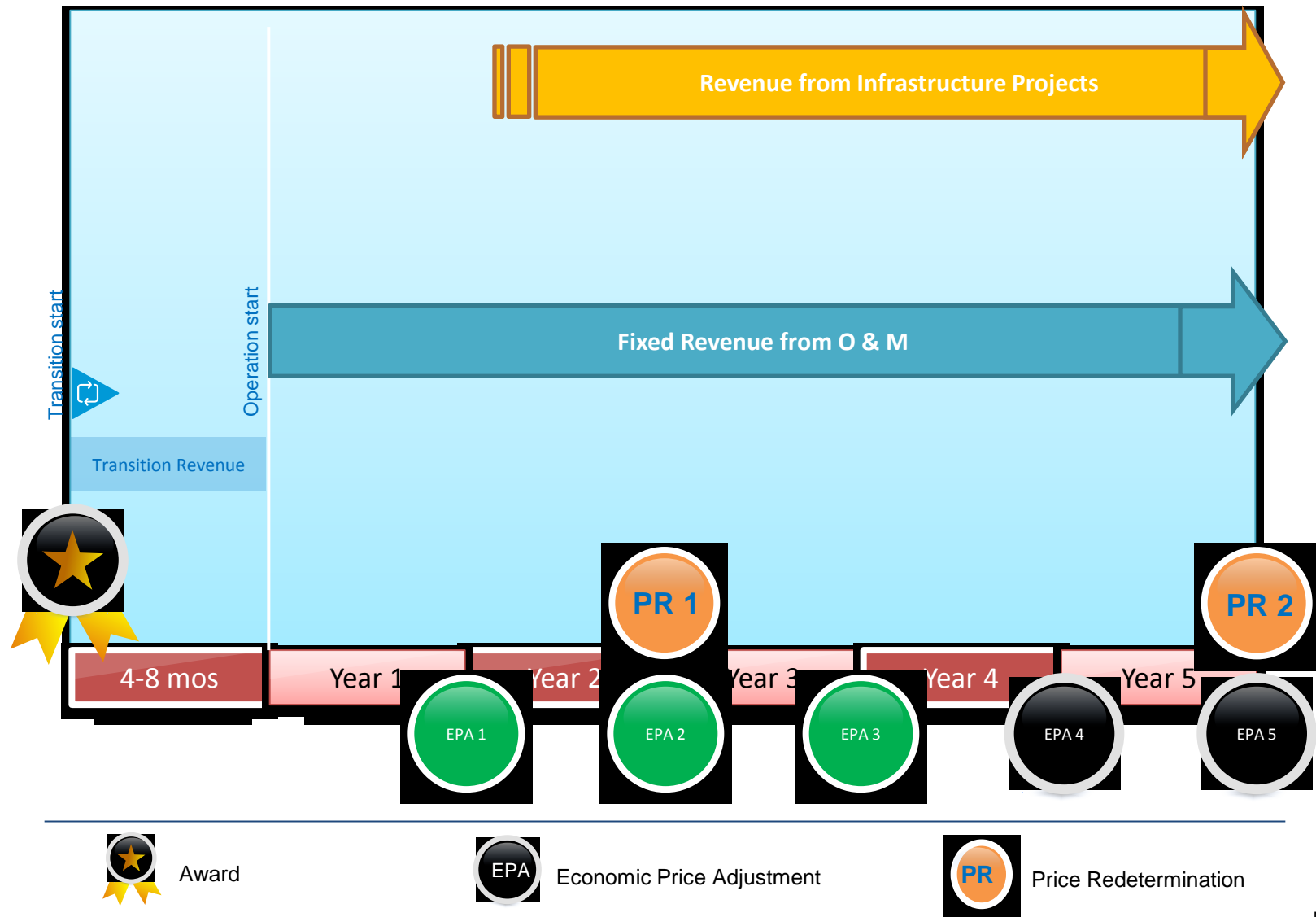
1. Price Redeterminations
2. Infrastructure Modifications

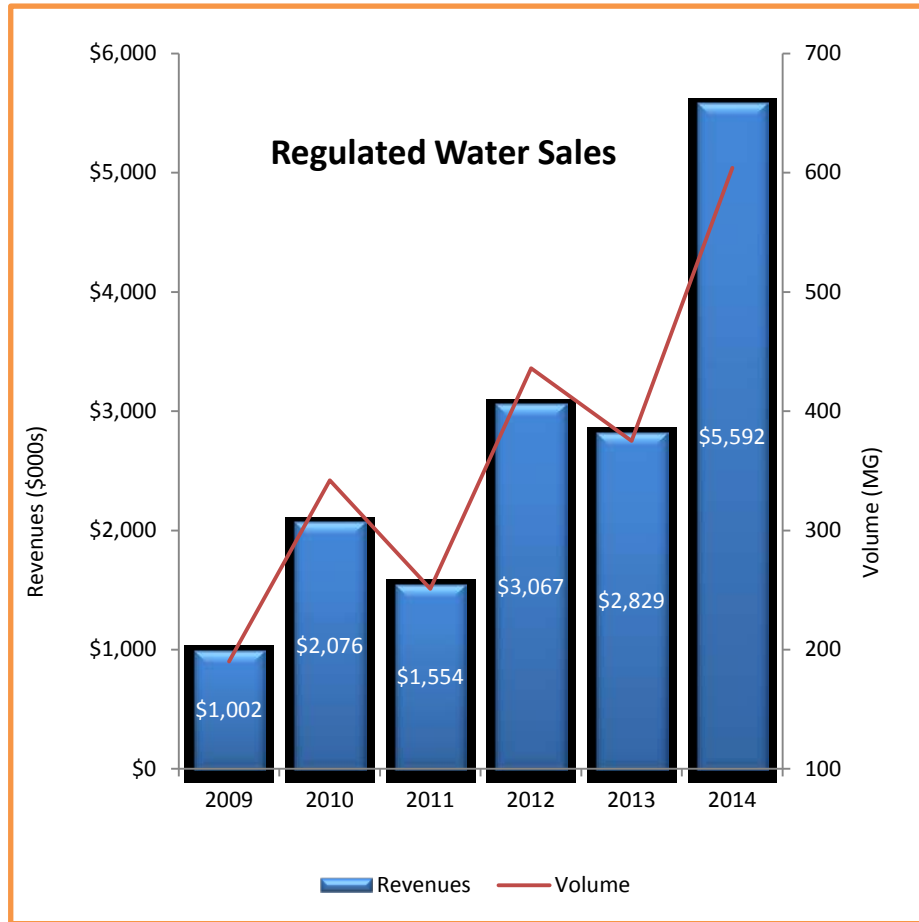


# Military Services : Growth by Adding New Bases and Optimizing Value at Existing Bases



# Military Services : Typical Revenue – First 5 years of Contract





## Market Overview:

- Dynamic environment
- Reduction in 2015 Capex by E&P's
- Maintaining production volumes in 2015 due to previous commitments

## AWK Opportunities (0-2% EPS)

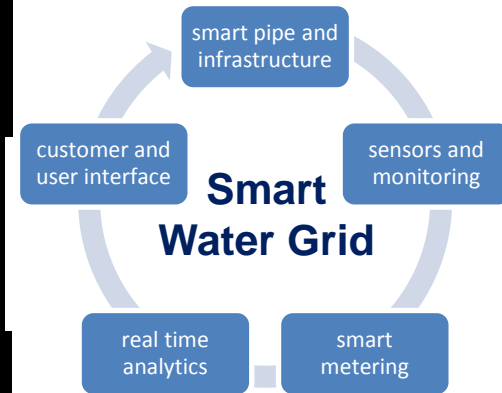
- Marcellus & Utica are least impacted (Lower cost)
- With reductions in E&P Capex, opportunities for deploying our capital
- Evaluating sustainable produced water treatment options

# The Water-Energy Nexus: Challenges and Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> <li>• NPXPRESS</li> <li>• Pressure Management Research</li> <li>• Pump Effeciencies</li> <li>• Demand Side Energy Managment</li> </ul>
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> <li>• Smart Water Grid</li> <li>• Saving Water to Save Energy</li> <li>• Resiliency Projects</li> </ul>
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> <li>• One Water Philosophy</li> <li>• Desalination</li> <li>• Recyled Water</li> </ul>
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> <li>• Shale Gas Production</li> </ul>
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> <li>• Enbala</li> <li>• Solar Power</li> <li>• Wind Power Purchases</li> </ul>



Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"

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# Our future results are anchored on 5 central themes with customers at the center of all we do





# 2014 Fourth Quarter and Year-end Adjusted EPS

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## Year-end (in Diluted EPS)

	<u>2013</u>	<u>2014</u>
Net Income	\$2.06	\$2.35
Discontinued Operations	(\$0.01)	(\$0.04)
Continuing Operations	<u>\$2.07</u>	<u>\$2.39</u>
Exclude:		
Debt Tender Offer	\$0.14	
Freedom Industries Event		\$0.04
<b>Adjusted EPS</b>	<b><u>\$2.21</u></b>	<b><u>\$2.43</u></b>

+\$0.22  
or 10%

## Fourth Quarter (in Diluted EPS)

	<u>2013</u>	<u>2014</u>
Net Income	\$0.33	\$0.52
Discontinued Operations	(\$0.01)	
Continuing Operations	<u>\$0.34</u>	<u>\$0.52</u>
Exclude:		
Debt Tender Offer	\$0.14	
<b>Adjusted EPS</b>	<b><u>\$0.48</u></b>	<b><u>\$0.52</u></b>

+\$0.04  
or 8%

## EPS Contribution By Business Segment\*

(Diluted Adjusted EPS from Continuing Ops)

	<u>2014</u>
Regulated	\$2.45
Market-Based	\$0.22
Parent Interest & Other	(\$0.24)
<b>Total Adjusted EPS</b>	<b><u>\$2.43</u></b>

### Note:

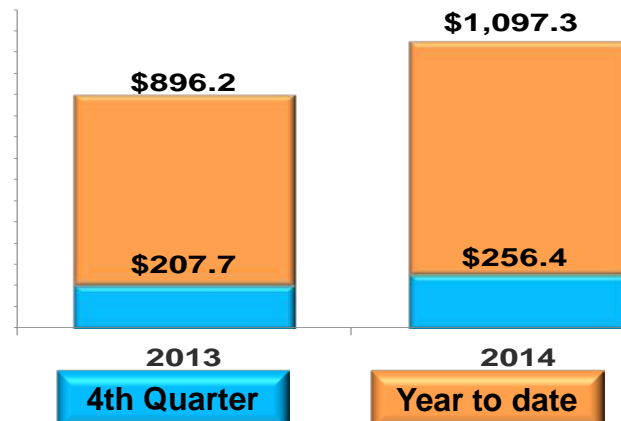
\* Adjusted Diluted Earnings Per Share is a non-GAAP measure. See appendix for reconciliation

# 2014 Summary of Financial Results

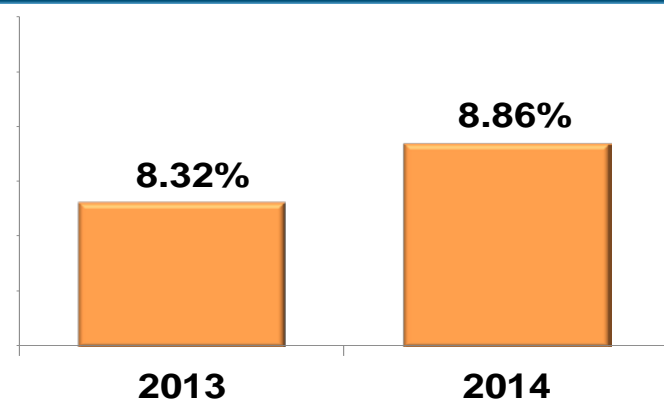
## Adjusted Diluted EPS from Continuing\*



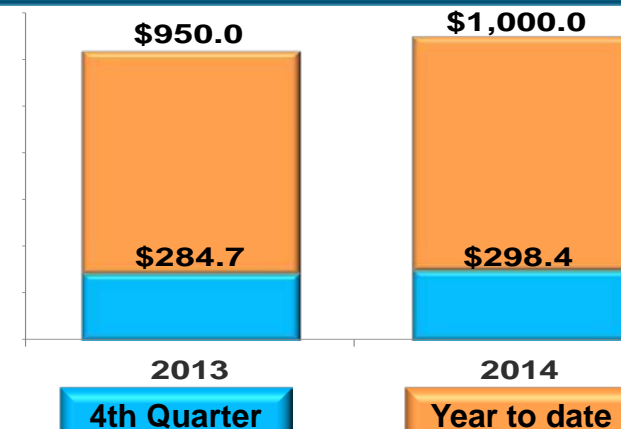
## Cash Flow From Operations (in millions)



## Adjusted Return on Equity\*



## Capital Investments (in millions)



\*Adjusted Diluted Earnings Per Share and Adjusted Return on Equity, Non-GAAP measures see appendix for reconciliation

March 2015

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**Q1 2015 Earnings Call: May 7, 2015, 9 a.m. ET**

NYSE: AWK

## Appendix



# Reconciliation Table – Regulated O&M Efficiency Ratio

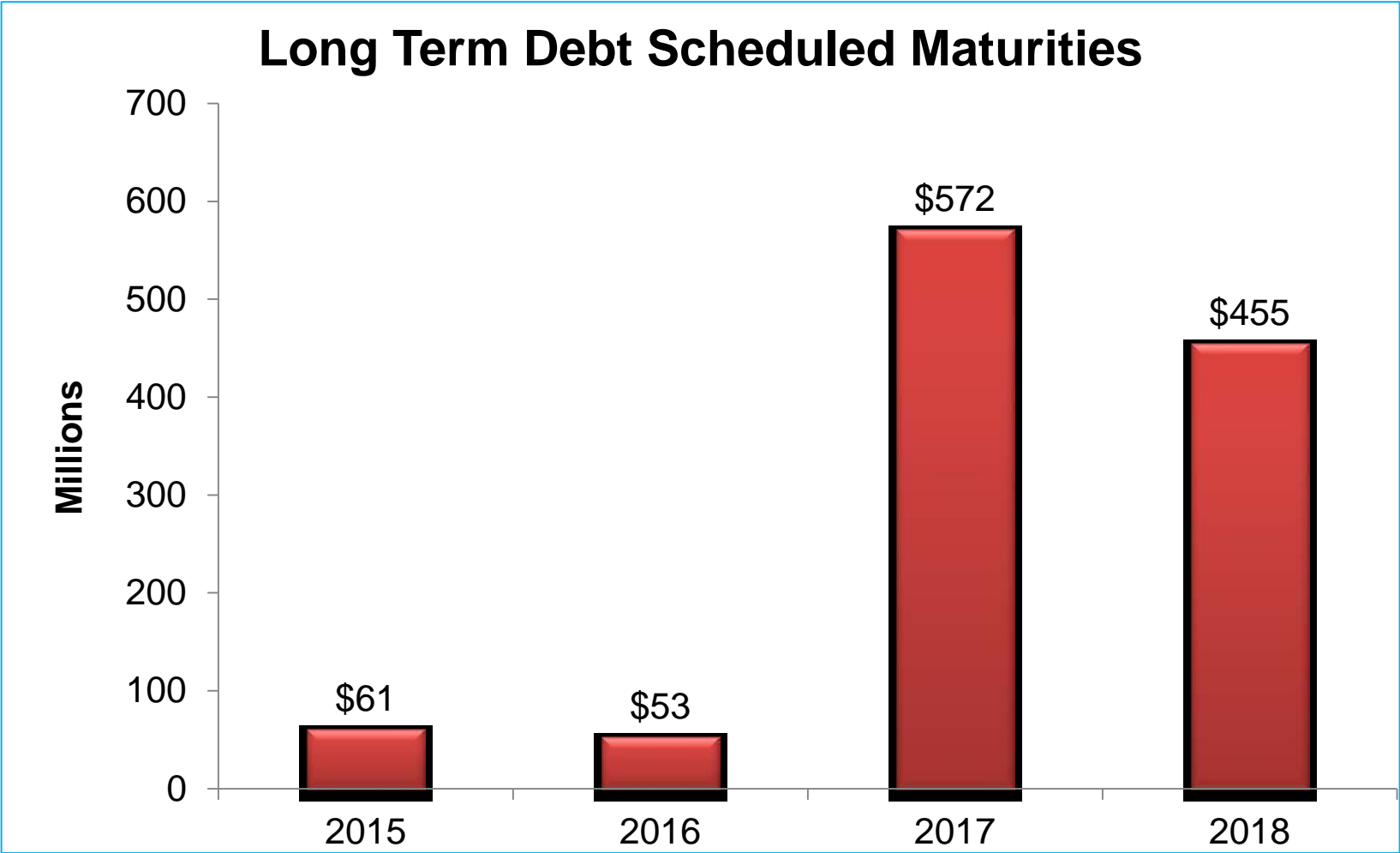
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Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	FY				
	FY	FY	FY	FY	FY
(\$ in thousands)	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

March 2015



Equity/Total Capitalization	46%	46%	47%	47%
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# West Virginia Update: Independent comments around West Virginia American Water's actions during the Freedom Industries chemical spill

KAW R-AGDR1 NUM016 032416

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Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

March 2015

Home News Cops and Courts Sports Opinion Business Food and Livin

Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."

# Regulatory Highlights: Rate Cases Update

## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase	ROE Requested	Rate Base Filed
Kentucky WW	Case No. 2014-00390	11/14/2014	0.1	(a) N/A	N/A
Maryland	Case 9372	12/19/2014	0.8	11.00%	12.3
New Jersey	Docket No. WR15010035	1/9/2015	66.2	10.75%	2,405.5
			<b>\$67.1</b>		<b>\$2,417.8</b>

### B. Rate Case Settlement Awaiting Regulatory Approval

California	Case No. A.13-07-002	2/19/2015	\$24.0	(b) N/A	\$463.8
			<b>\$24.0</b>		<b>\$463.8</b>

### C. Infrastructure Charges Filed

Tennessee (QIIP, EDI & SEC)	Docket No. 14-00121	12/29/2014	\$2.4	(c)	\$19.6
			<b>\$2.4</b>		<b>\$19.6</b>

## Rates Effective in 2014 and 2015

	Date Effective	Revenue Increase	Comments
<b>D. Step Increases</b>			
New York	4/1/2014	\$1.2	Final Step
California	Various	1.9	(d) Final Step
		<b>\$3.1</b>	
<b>E. Infrastructure Charges</b>			
New York (SIC)	1/1/2014	\$0.9	
New Jersey (DSIC)	1/1/2014	10.1	
Illinois (QIP)	1/1/2014	2.1	
New York (SIC)	3/3/2014	0.7	
New York (SIC)	4/1/2014	0.2	
Tennessee (see note)	4/15/2014	0.5	(e)
Missouri (ISRS)	5/30/2014	3.7	
New Jersey (DSIC)	7/1/2014	7.4	
Missouri (ISRS)	12/31/2014	9.0	
New Jersey (DSIC)	1/1/2015	9.4	
Illinois (QIP)	1/1/2015	5.4	(f)
Illinois (QIP)	2/1/2015	1.0	
		<b>\$50.4</b>	
<b>F. Rate Cases</b>			
Pennsylvania	1/1/2014	\$26.0	(g)
Iowa	4/18/2014	3.8	(h)
Indiana	1/29/2015	5.1	
		<b>\$34.9</b>	

Note: See appendix for footnotes













# Regulatory Highlights: Rate Cases Update Footnotes

- (a) Kentucky utilized the Alternative Rate Filing process designed for small utilities to file their case for their wastewater customers. The request for the proposed increase contemplates a two-step increment with the year one increase of 9.73% or \$29k and the second year increase of 10.70% or \$32k for a combined increase of \$61k.
- (b) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million which includes a test year 2015 revenue requirement increase from the date of filing of \$12.7 million, with increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively. The rate base amount listed as filed is the average rate base as proposed in the settlement for the three year period.
- (c) Supplemental filing to remove operational expenses related to SEC waste removal project (\$0.2 million), to now be collected under the 2015 PCOP mechanism. The original filing date was October 29, 2014.
- (d) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is appealing. The 2014 step increases are included in the current rate case request.
- (e) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("EDI") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k.
- (f) Illinois implemented a \$5.4 million infrastructure surcharge, which is \$0.8 million more than the \$4.6 million surcharge originally proposed in its 12/19/2014 filing.
- (g) The revenue increase from the PA GRC of \$26 million does not include \$19.8k DSIC revenues that were effective in 2013.
- (h) The annual revenue increase of \$3.8 million from the IA GRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.

# Regulated Utilities – Rate Base and Allowed Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

	 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER	
Authorized Rate Base*	\$374,404		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	7/12/2012	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
	 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER	
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA has a separate Cost of Capital case, A11-05-003, which sets the rate of return outside of a general rate proceeding.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

# Reconciliation Table – Closed & Pending Acquisitions

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Acquisitions				
2014 Closed Acquisitions				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
IL	1		500	500
IN	2	754		754
KY	1	466	392	858
MO	2	485	442	927
NJ*	1			
NY	2	419	413	832
PA	4	36	618	654
Total	<b>13</b>	<b>2,160</b>	<b>2,365</b>	<b>4,525</b>
Announced Pending Acquisitions**				
(As of Feb 25, 2015)				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
CA	3	2,098	253	2,351
IN	1	420		420
MO	3	25	9,150	9,175
NJ	1	4,500	4,500	9,000
PA	3	196	405	601
Total	<b>11</b>	<b>7,239</b>	<b>14,308</b>	<b>21,547</b>

\*NJ American acquired the treatment plant and pump stations but previously had owned the collection systems so no additional customers

\*\*Announced pending defined as awaiting Municipal and/or Regulatory approval

March 2015

# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding

# Reconciliation Tables – Adjusted Return on Equity

(A Non-GAAP Unaudited Number)  (\$ in thousands )	For the Twelve Months Ended December 31,	
	2014	2013
Net income	\$423,108	\$369,264
Adjustments:		
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$7,007	
Loss (income) from discontinued operations	\$6,733	\$1,580
<b>Adjusted net income from Continuing Operations</b>	<b>\$436,848</b>	<b>\$395,600</b>
Stockholders' equity	\$4,915,591	\$4,727,804
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$7,007	
Loss (income) from discontinued operations	\$6,733	\$1,580
<b>Adjusted stockholders' equity</b>	<b>\$4,929,331</b>	<b>\$4,754,140</b>
<b>Adjusted Return on Equity</b>	<b>8.86%</b>	<b>8.32%</b>

**NYSE: AWK**

# Institutional Investor Presentation

**April 2015**



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, timing of the Orlando home warranty protection program launch, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including as related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events, including drought or abnormally high rainfall, strong winds and coastal, intercoastal flooding and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including, concession arrangements and agreements for the provision of water services to facilitate hydraulic fracking in shale regions; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on the company's current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws

NYSE: AWK

## American Water Overview





# American Water: The Premier Water Services Provider in North America

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## Market Statistics\*

- **\$15.6 Billion** Total Enterprise Value
- **700,000** Average Daily Trading Volume
- **\$9.7 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
  - 89% Regulated, 11% Market Based
- **21.2%** Total Shareholder Return for Last 12 Months
- **2.3%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,400** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

\* Market data as of April 10, 2015, Source : FactSet

April 2015

# Why American Water is the right investment for you

**AWK**  
**LISTED**  
**NYSE**

- Industry Leading projected **7-10%** Long Term EPS Growth with **0.8** Beta\*
- **8%** Dividend Growth rate Top Quartile in Utilities\*\*
- Operational Excellence Minimizes Bill Increases projected **2%** on an average
- Commitment to Innovation & Environmental Stewardship, over **600** technologies examined

\*Source : Factset 5 Yr Beta (Adjusted)

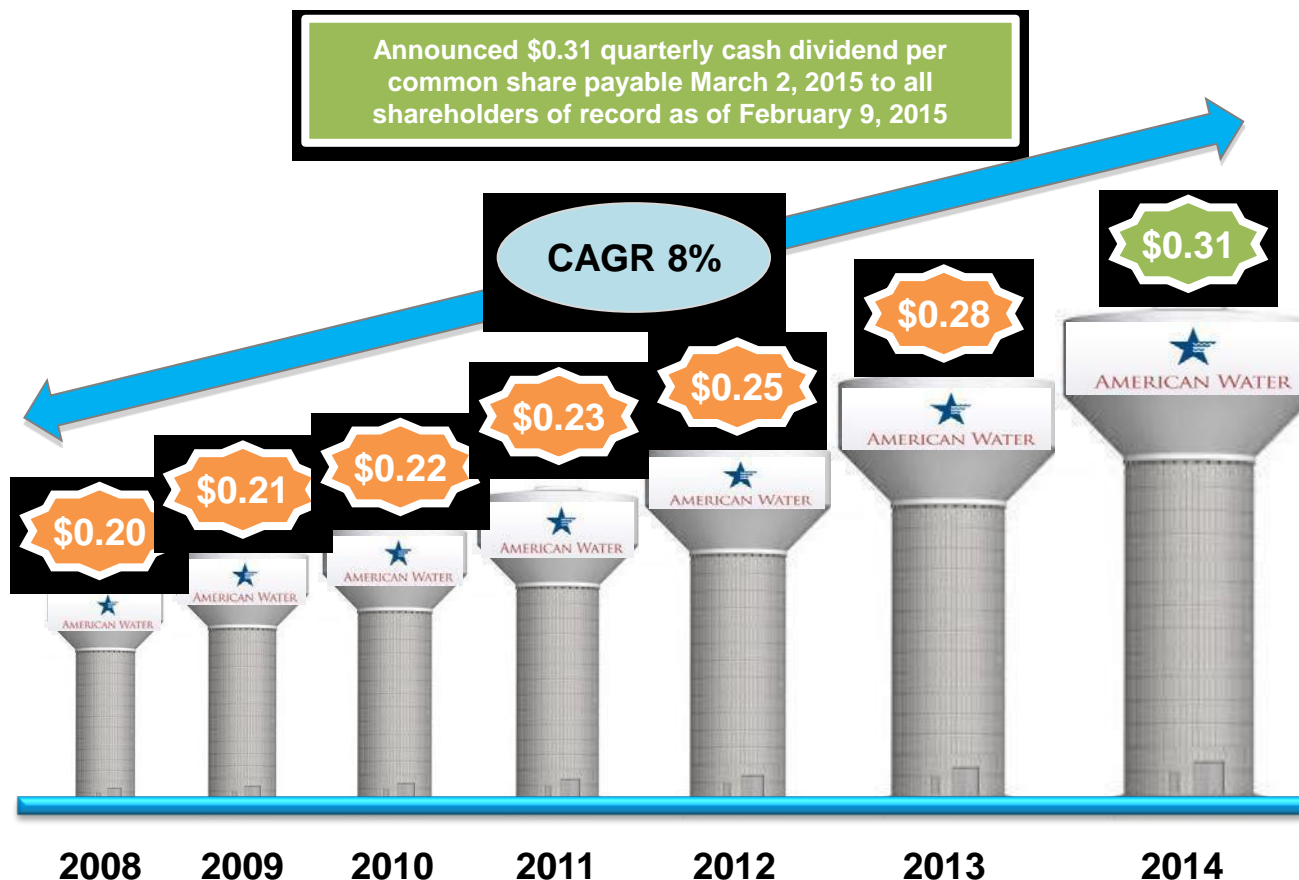
\*\*Source: Factset , Top quartile dividend paid CAGR, Time Period: 2010 – 2014

Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , CTWS , CWT , MSEX , SJW , WTR , YORW  
 April 2015

# Long History of Consistent Dividend Growth

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## Dividend Practice

- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income

Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers\*

\* Source: Factset: Time Period: 2010 – 2014 Dividend Paid CAGR

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, CTWS, CWT, MSEX, SJW, WTR, YORW.

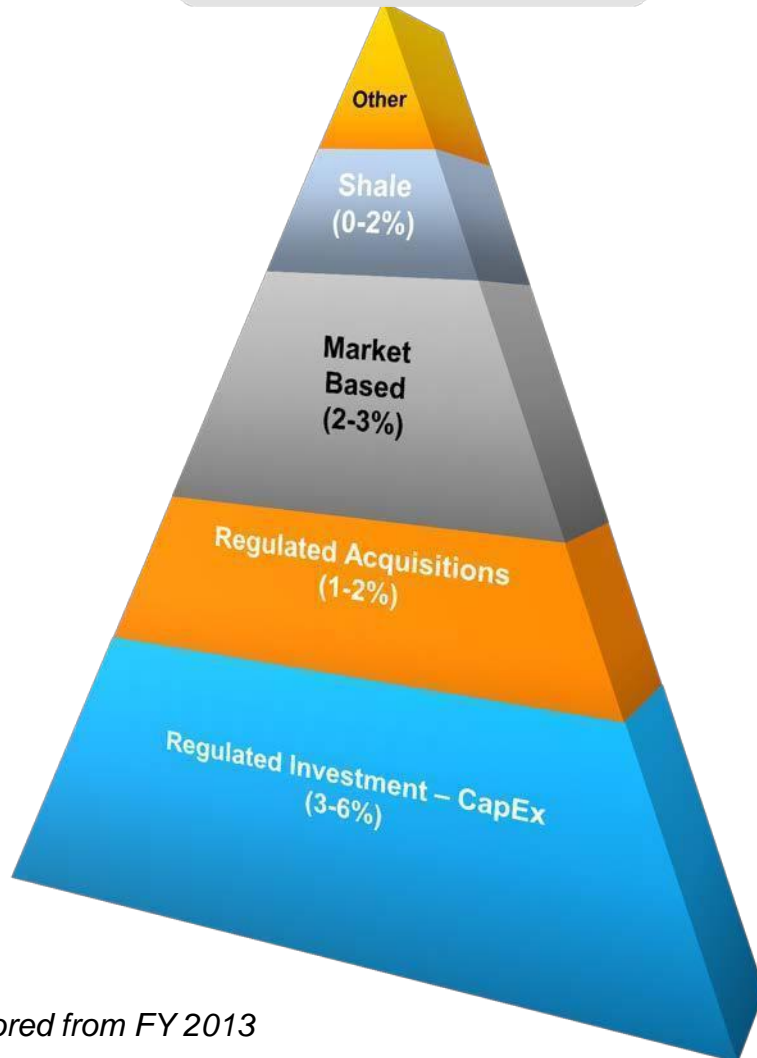
April 2015

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www.amwater.com

6

## 2015 - 2019 Plan



- Industry Leading **7-10%** Long Term EPS Growth\*
- \$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

\*Anchored from FY 2013

## 2014 Water Quality Report

- **15x** better than the industry average for compliance with drinking water quality standards
- **20x** better than the industry average for meeting all drinking water requirements



## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Referendum Wins

- Haddonfield, NJ
- Russiaville, IN
- Arnold, MO



American Water (AWK) has emerged as the clear winner in the US mid-term elections, at least in terms of boosting its regulated asset portfolio.

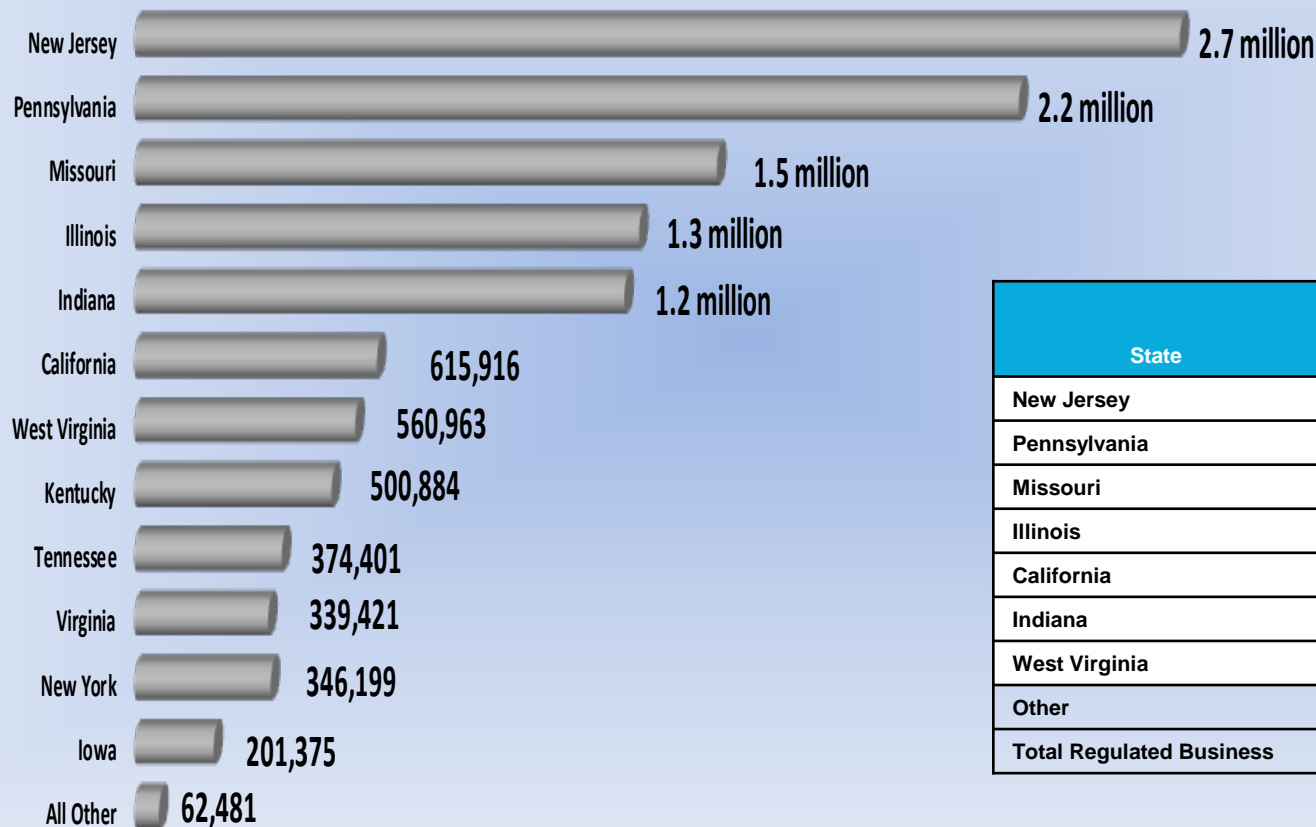
**NYSE: AWK**

## **Our Regulated Business**



## States Where We Operate

(approximate population served by state )\*



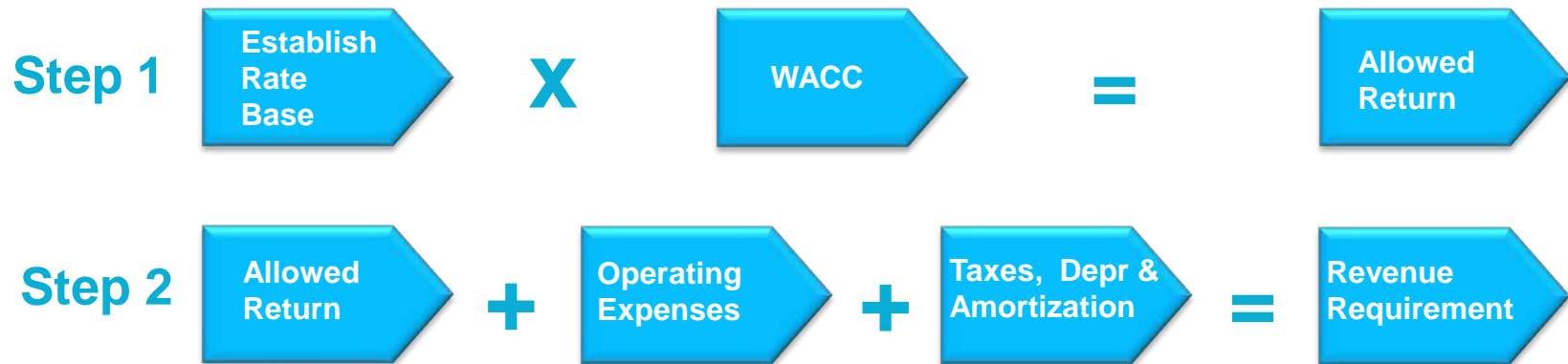
State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
<b>Total Regulated Business</b>	<b>\$2,674.3</b>	<b>100%</b>

\* Population data for FY 2014



# The Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases



American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

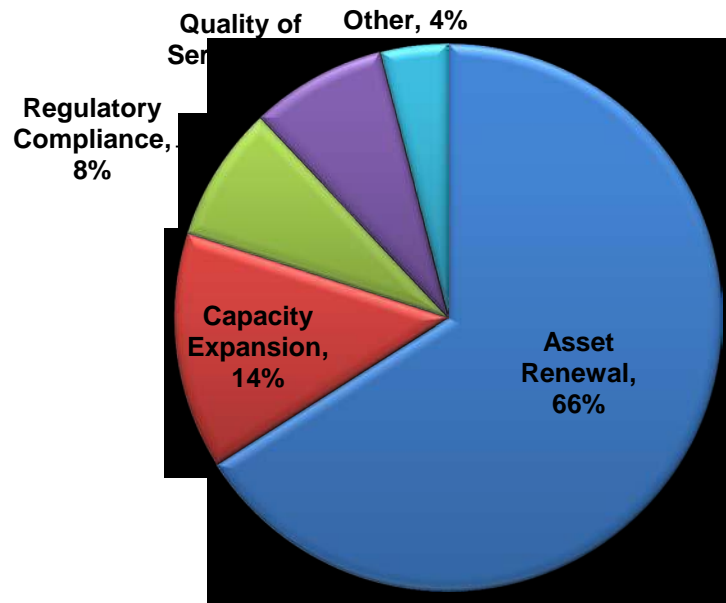


# Investment in Water and Wastewater Industry is urgently needed

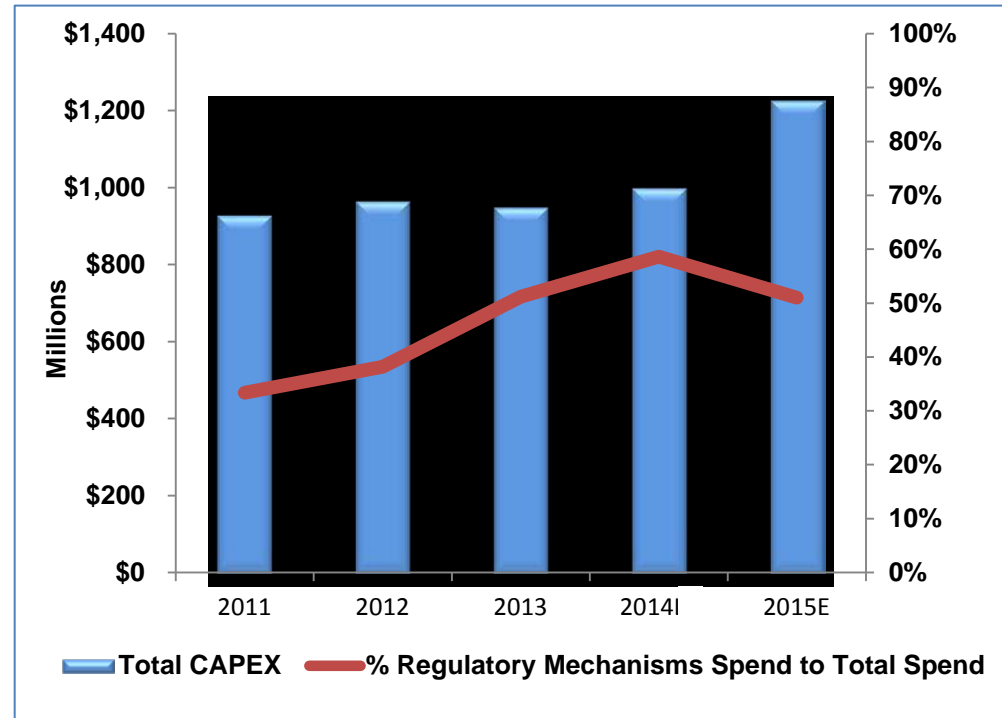
- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

# Regulatory Capital Investment of \$5.2 billion over next five years

2015 – 2019 Average Capital Expenditures by Purpose



Investments covered by Regulatory Mechanisms



Note

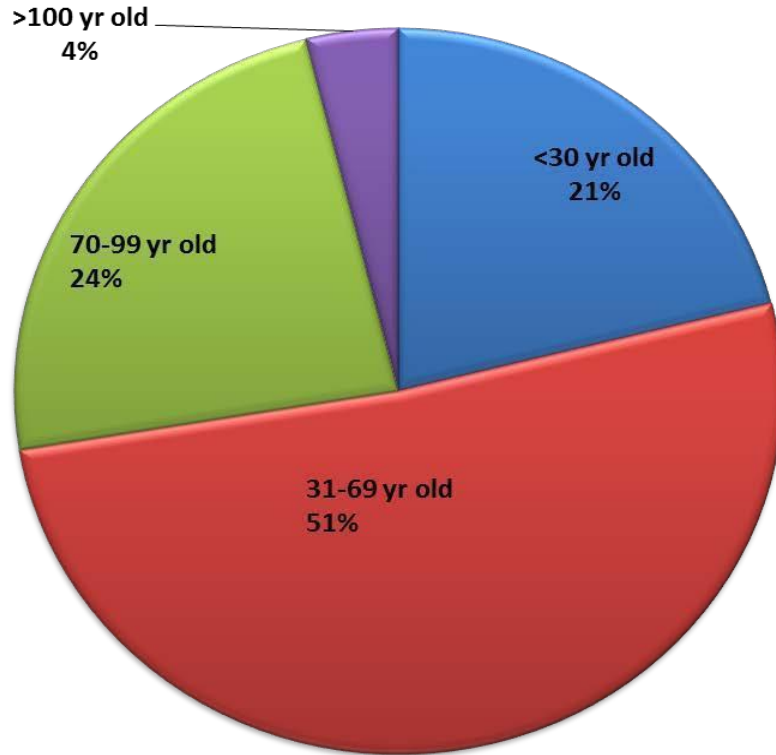
(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years

# Pipe Age Distribution & Replacement Rate

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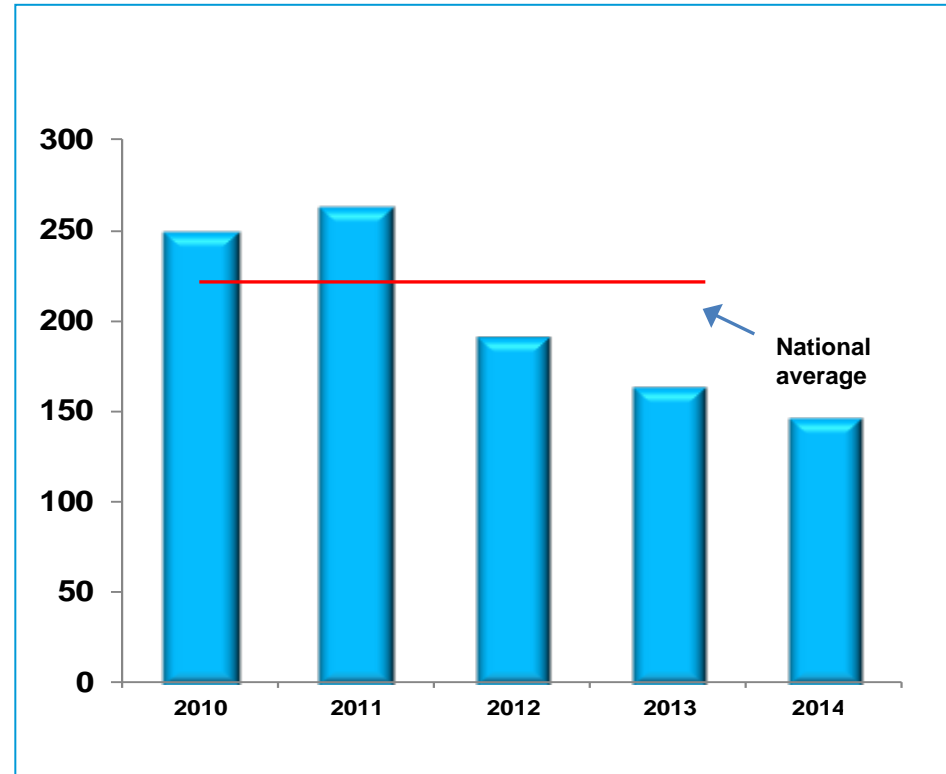
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## Pipe Age Distribution – AW System



Over 25% pipes are 70 years or old

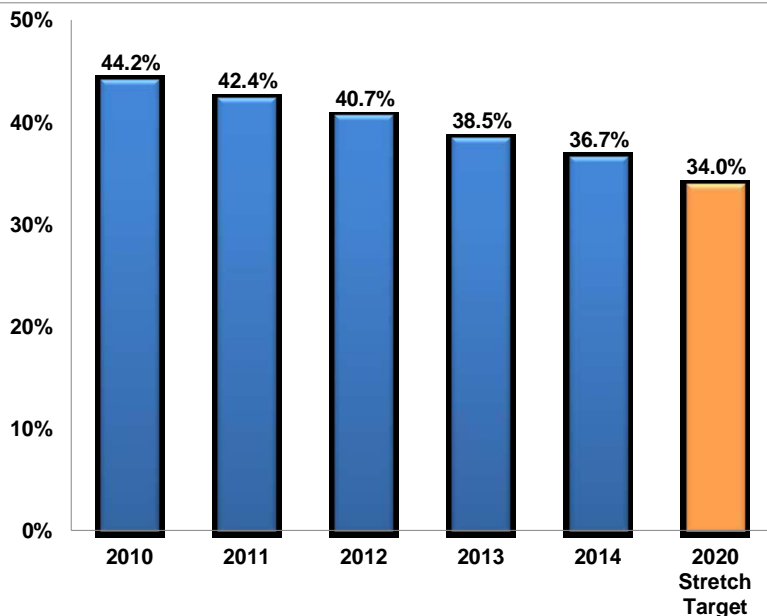
## American Water Pipe Replacement Rate (in years)



Pipe Replacement rate is shortening

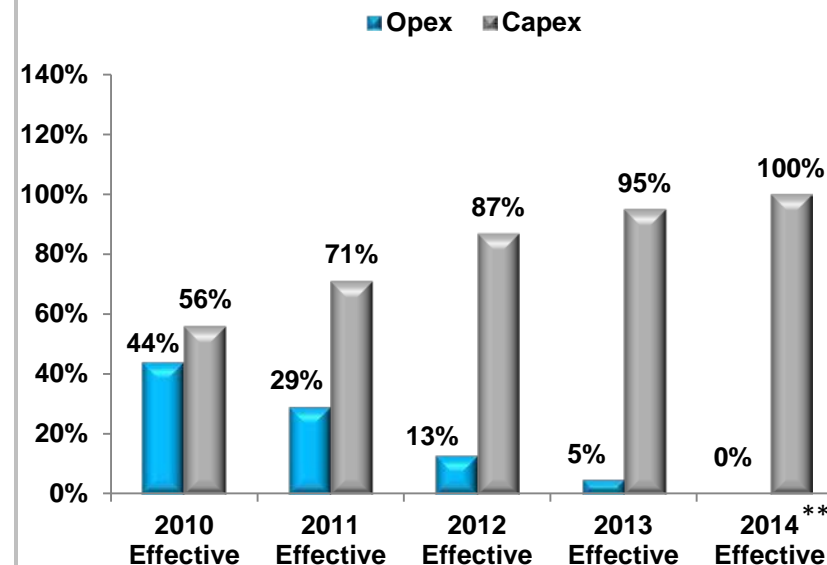
# Our Disciplined Approach to Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:

\* Approximation in states where we received black box award

\*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

## Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
<b>NJ</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X</b>
<b>PA</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b> <sup>(3)</sup>
<b>MO</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X</b> <sup>(3)</sup>
<b>IL</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>IN</b>	<b>X</b>	<b>X</b>		<b>X</b>		<b>(5)</b>
<b>WV</b>				<b>X</b>		
<b>CA</b>		<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>
<b>KY</b>		<b>X</b>		<b>X</b>	<b>X</b>	
<b>NY</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b> <sup>(2)</sup>	<b>X</b>
<b>TN</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b> <sup>(3)</sup>
<b>VA</b>	<b>X</b> <sup>(4)</sup>	<b>X</b>	<b>X</b>		<b>X</b>	
<b>IA</b>				<b>X</b>		
<b>HI</b>		<b>X</b>				
<b>MD</b>			<b>X</b>			

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/ Waste Water Infrastructure Surcharge (A DSIC mechanism).

(5) Indiana has included declining usage in current case, but no results have been received yet in this litigated case.

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## Our Market-Based Business



# Market based businesses generate complementary opportunities for growth

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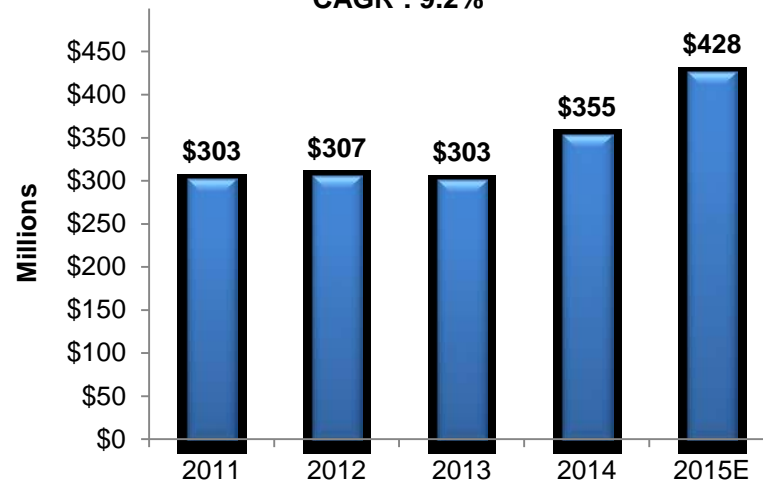
## Lines of Business

- Homeowner Services (HOS)
- Contract Operations
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

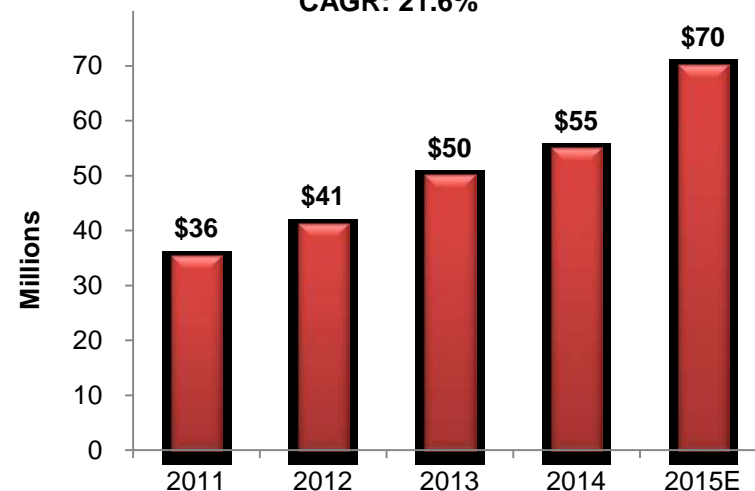
## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets

## Revenues CAGR : 9.2%



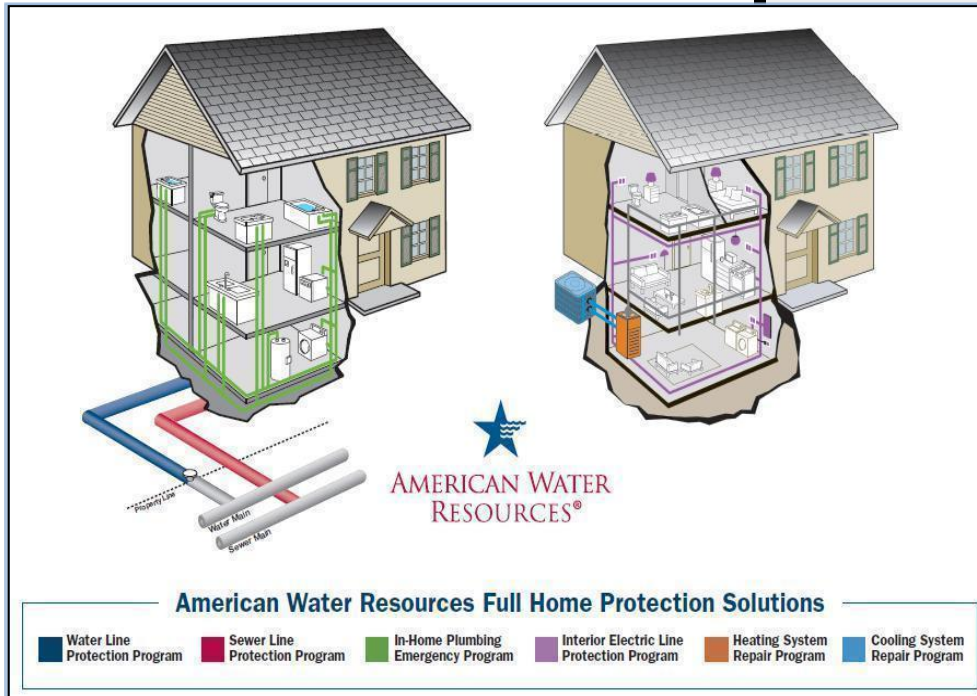
## Operating Income CAGR: 21.6%



Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

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# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***



# Military Services: Overall Growth Strategy

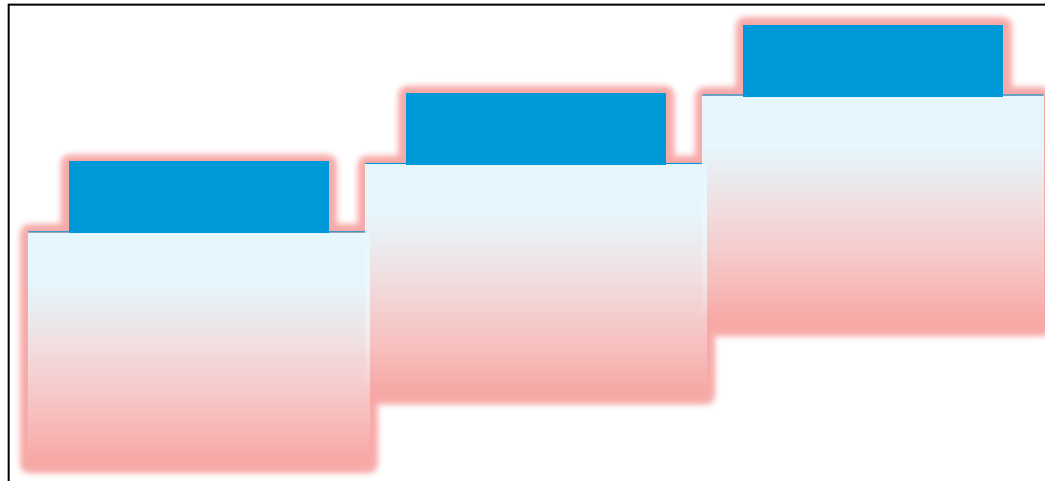
## Add New Customers

### Current Bases

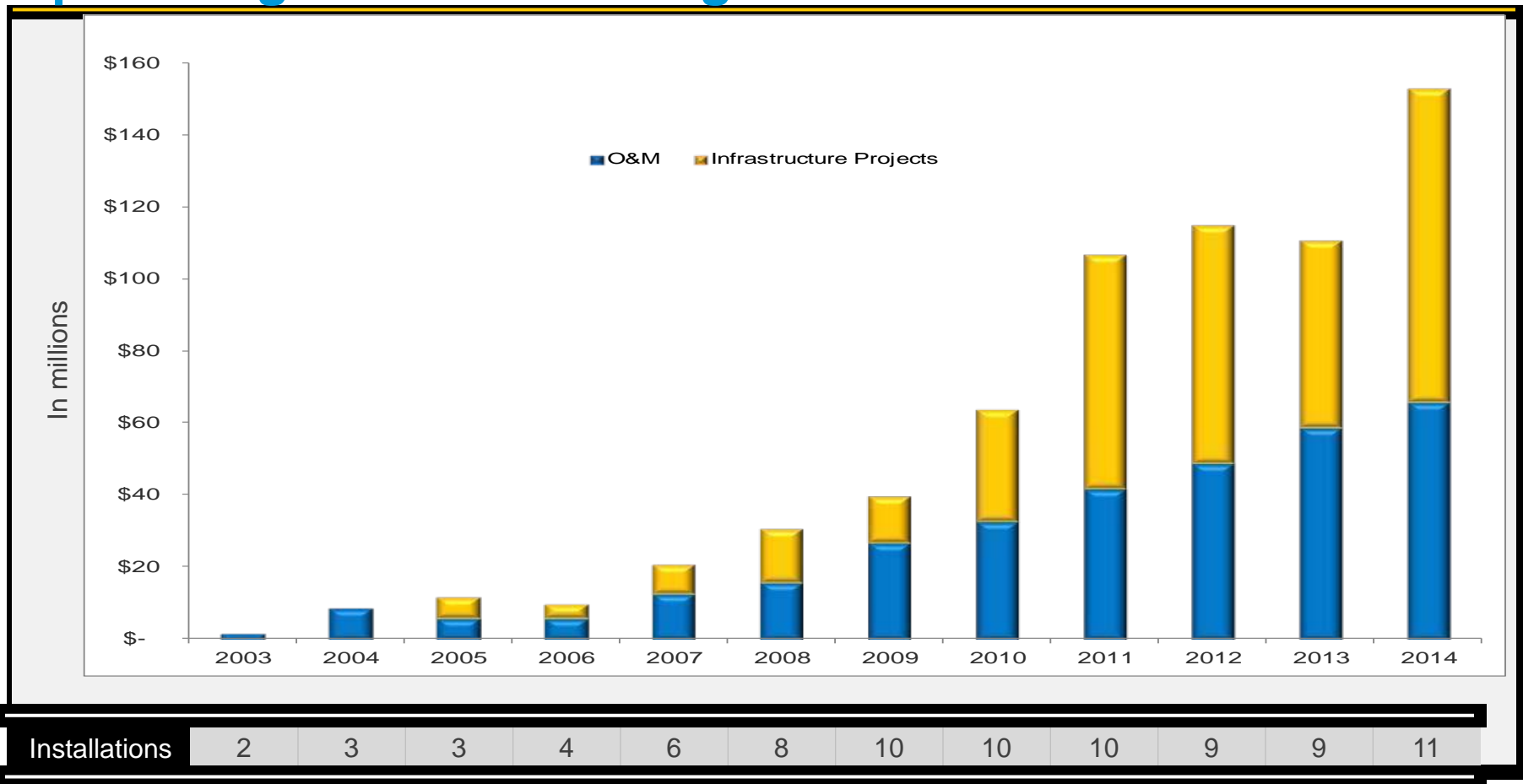
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Leavenworth (39 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)

## Optimize Existing Bases

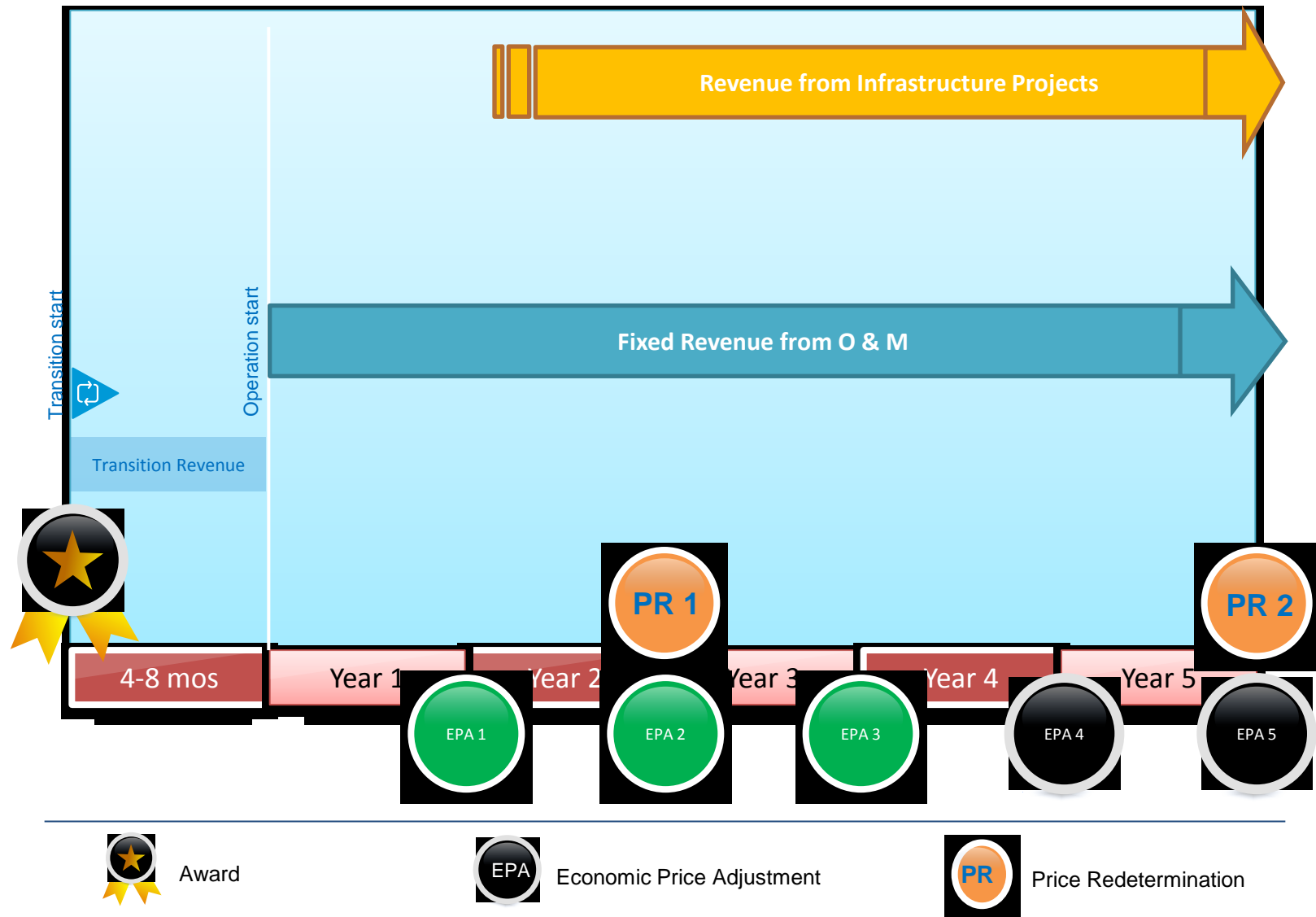
1. Price Redeterminations
2. Infrastructure Modifications

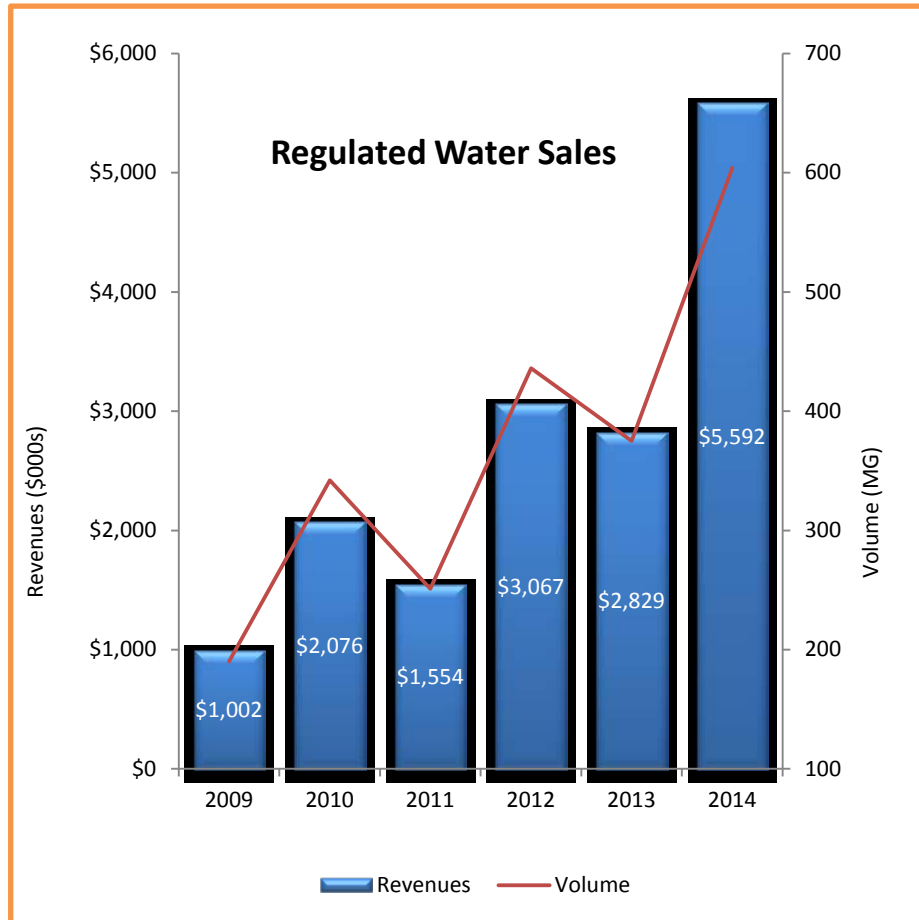


# Military Services : Growth by Adding New Bases and Optimizing Value at Existing Bases



# Military Services : Typical Revenue – First 5 years of Contract





## Market Overview:

- Dynamic environment
- Reduction in 2015 Capex by E&P's
- Maintaining production volumes in 2015 due to previous commitments

## AWK Opportunities (0-2% EPS)

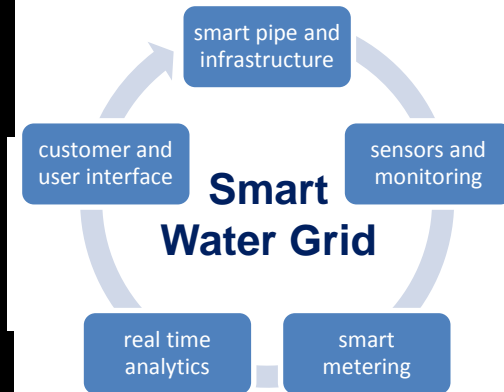
- Marcellus & Utica are least impacted (Lower cost)
- With reductions in E&P Capex, opportunities for deploying our capital
- Evaluating sustainable produced water treatment options

# The Water-Energy Nexus: Challenges and Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> <li>• NPXPRESS</li> <li>• Pressure Management Research</li> <li>• Pump Effeciencies</li> <li>• Demand Side Energy Managment</li> </ul>
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> <li>• Smart Water Grid</li> <li>• Saving Water to Save Energy</li> <li>• Resiliency Projects</li> </ul>
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> <li>• One Water Philosophy</li> <li>• Desalination</li> <li>• Recyled Water</li> </ul>
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> <li>• Shale Gas Production</li> </ul>
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> <li>• Enbala</li> <li>• Solar Power</li> <li>• Wind Power Purchases</li> </ul>



Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"

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# Our future results are anchored on 5 central themes with customers at the center of all we do



# 2014 Fourth Quarter and Year-end Adjusted EPS

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## Year-end (in Diluted EPS)

	<u>2013</u>	<u>2014</u>
Net Income	\$2.06	\$2.35
Discontinued Operations	(\$0.01)	(\$0.04)
Continuing Operations	<u>\$2.07</u>	<u>\$2.39</u>
Exclude:		
Debt Tender Offer	\$0.14	
Freedom Industries Event		\$0.04
<b>Adjusted EPS</b>	<b><u>\$2.21</u></b>	<b><u>\$2.43</u></b>

+\$0.22  
or 10%

## Fourth Quarter (in Diluted EPS)

	<u>2013</u>	<u>2014</u>
Net Income	\$0.33	\$0.52
Discontinued Operations	(\$0.01)	
Continuing Operations	<u>\$0.34</u>	<u>\$0.52</u>
Exclude:		
Debt Tender Offer	\$0.14	
<b>Adjusted EPS</b>	<b><u>\$0.48</u></b>	<b><u>\$0.52</u></b>

+\$0.04  
or 8%

## EPS Contribution By Business Segment\*

(Diluted Adjusted EPS from Continuing Ops)

	<u>2014</u>
Regulated	\$2.45
Market-Based	\$0.22
Parent Interest & Other	(\$0.24)
<b>Total Adjusted EPS</b>	<b><u>\$2.43</u></b>

### Note:

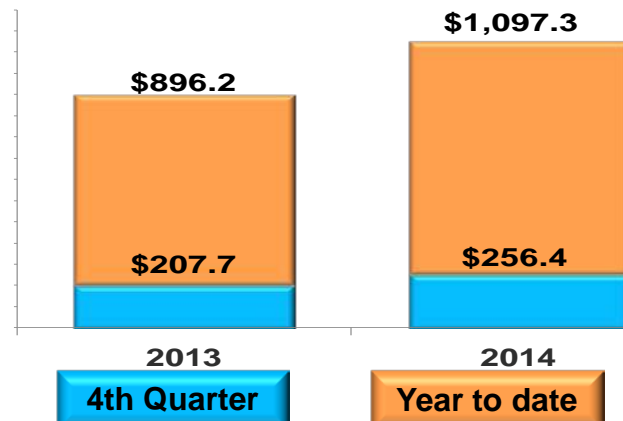
\* Adjusted Diluted Earnings Per Share is a non-GAAP measure.  
See appendix for reconciliation

# 2014 Summary of Financial Results

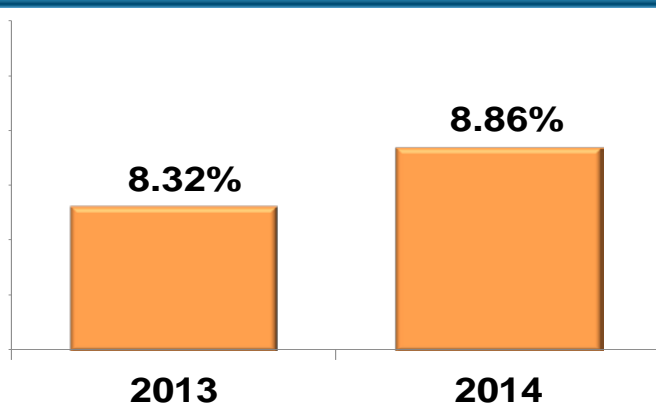
## Adjusted Diluted EPS from Continuing\*



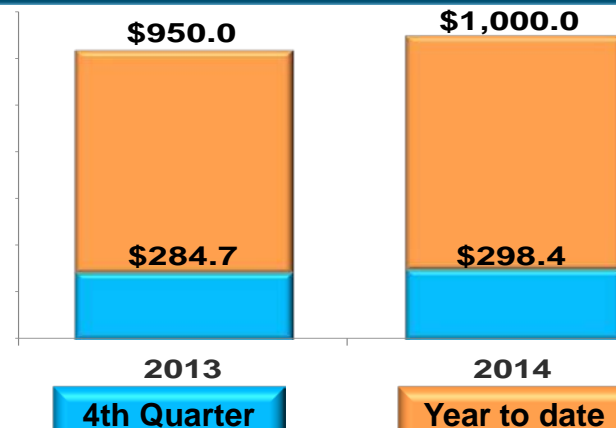
## Cash Flow From Operations (in millions)



## Adjusted Return on Equity\*



## Capital Investments (in millions)



\*Adjusted Diluted Earnings Per Share and Adjusted Return on Equity, Non-GAAP measures see appendix for reconciliation

April 2015



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**Q1 2015 Earnings Call: May 7, 2015, 9 a.m. ET**

**NYSE: AWK**

## Appendix



# Reconciliation Table – Regulated O&M Efficiency Ratio

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Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	FY				
(\$ in thousands)	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

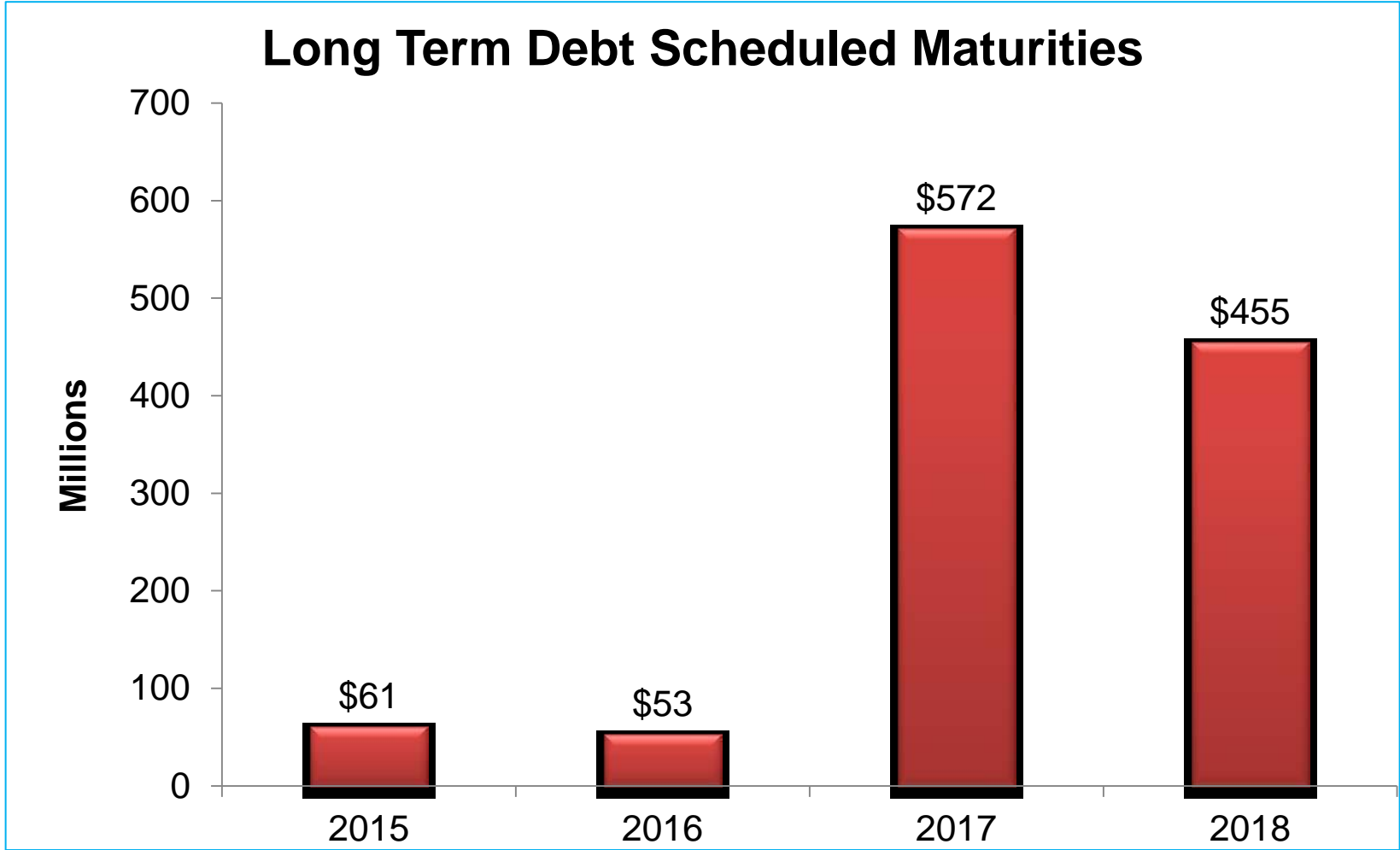
\*Calculation assumes purchased water revenues approximate purchased water expenses

April 2015

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Equity/Total Capitalization	46%	46%	47%	47%
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# West Virginia Update: Independent comments around West Virginia American Water's actions during the Freedom Industries chemical spill

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Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

April 2015

Home News Cops and Courts Sports Opinion Business Food and Livin

Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."

# Regulatory Highlights: Rate Cases Update

## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase Filed	ROE Requested	Rate Base Filed
Kentucky WW	Case No. 2014-00390	11/14/2014	\$0.1 (a)	N/A	N/A
Maryland	Case 9372	12/19/2014	0.8	11.00%	\$12.3
New Jersey	Docket No. WR15010035	1/9/2015	66.2	10.75%	2,405.5
			<b>\$67.1</b>		<b>\$2,417.8</b>

### B. Infrastructure Charges Filed

Tennessee (QIIP, EDI & SEC)	Docket No. 14-00121	12/29/2014	\$2.4 (b)		\$19.6
Missouri (ISRS)	Docket No. WO-2015-0211	2/27/2015	1.9 (c)		17.2
			<b>\$4.3</b>		<b>\$36.8</b>

## Rates Effective since April 1, 2014

	Date Effective	Revenue Increase	Comments
<b>C. Step Increases</b>			
New York	4/1/2014	\$1.2	Final Step
California	Various	1.9 (d)	Final Step
		<b>\$3.1</b>	
<b>D. Infrastructure Charges</b>			
New York (SIC)	4/1/2014	\$0.2	
Tennessee (see note)	4/15/2014	0.5 (e)	
Missouri (ISRS)	5/30/2014	3.7	
New Jersey (DSIC)	7/1/2014	7.4	
Missouri (ISRS)	12/31/2014	9.0	
New Jersey (DSIC)	1/1/2015	9.4	
Illinois (QIP)	1/1/2015	5.4 (f)	
Illinois (QIP)	2/1/2015	1.0	
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6	
		<b>\$38.2</b>	
<b>E. Rate Cases</b>			
Iowa	4/18/2014	\$3.8 (g)	
Indiana	1/29/2015	5.1	
California	1/1/2015	5.2 (h)	
		<b>\$14.1</b>	

Note: See next slide for footnotes











# Regulatory Highlights: Rate Cases Update Footnotes

- (a) Kentucky utilized the Alternative Rate Filing process designed for small utilities to file their case for their wastewater customers. The request for the proposed increase contemplates a two-step increment with the year one increase of 9.73% or \$29k and the second year increase of 10.70% or \$32k for a combined increase of \$61k.
- (b) Supplemental filing to remove operational expenses related to SEC waste removal project (\$0.2 million), to now be collected under the 2015 PCOP mechanism. The original filing date was October 29, 2014.
- (c) The \$1.9M total includes a prior period undercollection of \$1.7M that the MO PSC is trying to include in the cap total. If they succeed, the amount we will collect from the ISRS is \$0.2M, which will cap us out at 10% for the ISRS.
- (d) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.
- (e) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("EDI") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k.
- (f) Illinois implemented a \$5.4 million infrastructure surcharge, which is \$0.8 million more than the \$4.6 million surcharge originally proposed in its 12/19/2014 filing.
- (g) The annual revenue increase of \$3.8 million from the IA GRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.
- (h) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote d) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.



# Regulated Utilities – Rate Base and Allowed Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

	 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER	
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
	 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER	
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.



# Reconciliation Table – Closed & Pending Acquisitions

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Acquisitions				
2014 Closed Acquisitions				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
IL	1		500	500
IN	2	754		754
KY	1	466	392	858
MO	2	485	442	927
NJ*	1			
NY	2	419	413	832
PA	4	36	618	654
Total	<b>13</b>	<b>2,160</b>	<b>2,365</b>	<b>4,525</b>
Announced Pending Acquisitions**				
(As of Feb 25, 2015)				
State	No of Systems	Water Customers	Waste Water Customers	Total Customers
CA	3	2,098	253	2,351
IN	1	420		420
MO	3	25	9,150	9,175
NJ	1	4,500	4,500	9,000
PA	3	196	405	601
Total	<b>11</b>	<b>7,239</b>	<b>14,308</b>	<b>21,547</b>

\*NJ American acquired the treatment plant and pump stations but previously had owned the collection systems so no additional customers

\*\*Announced pending defined as awaiting Municipal and/or Regulatory approval

# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding

# Reconciliation Tables – Adjusted Return on Equity

(A Non-GAAP Unaudited Number)  (\$ in thousands )	For the Twelve Months Ended December 31,	
	2014	2013
Net income	\$423,108	\$369,264
Adjustments:		
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$7,007	
Loss (income) from discontinued operations	\$6,733	\$1,580
<b>Adjusted net income from Continuing Operations</b>	<b>\$436,848</b>	<b>\$395,600</b>
Stockholders' equity	\$4,915,591	\$4,727,804
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$7,007	
Loss (income) from discontinued operations	\$6,733	\$1,580
<b>Adjusted stockholders' equity</b>	<b>\$4,929,331</b>	<b>\$4,754,140</b>
<b>Adjusted Return on Equity</b>	<b>8.86%</b>	<b>8.32%</b>

**NYSE: AWK**

## **2015 First-Quarter Earnings Conference Call**

**May 7, 2015**



NYSE: AWK



**Durgesh Chopra**  
**Director of Investor Relations**



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including as related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events, including drought or abnormally high rainfall, strong winds and coastal, intercoastal flooding and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including, concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on the company's current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

NYSE: AWK

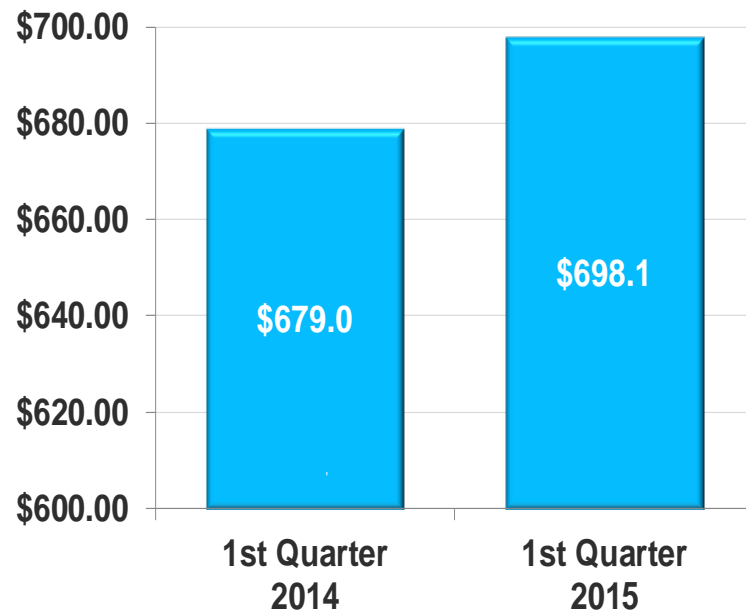


**Susan Story**  
**President and Chief Executive Officer**

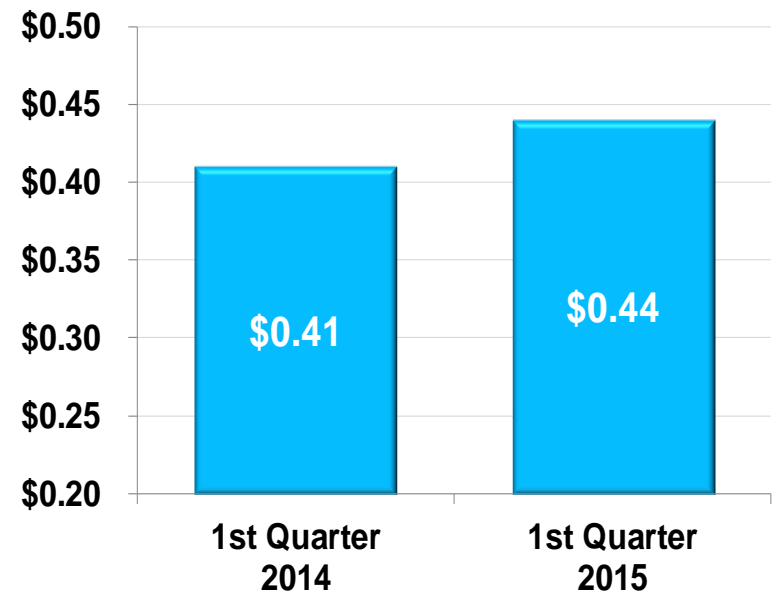


# American Water First Quarter Performance: Solid Results

**Operating Revenues**  
(in millions)



**Adjusted Diluted Earnings Per Share  
Continuing Operations\***

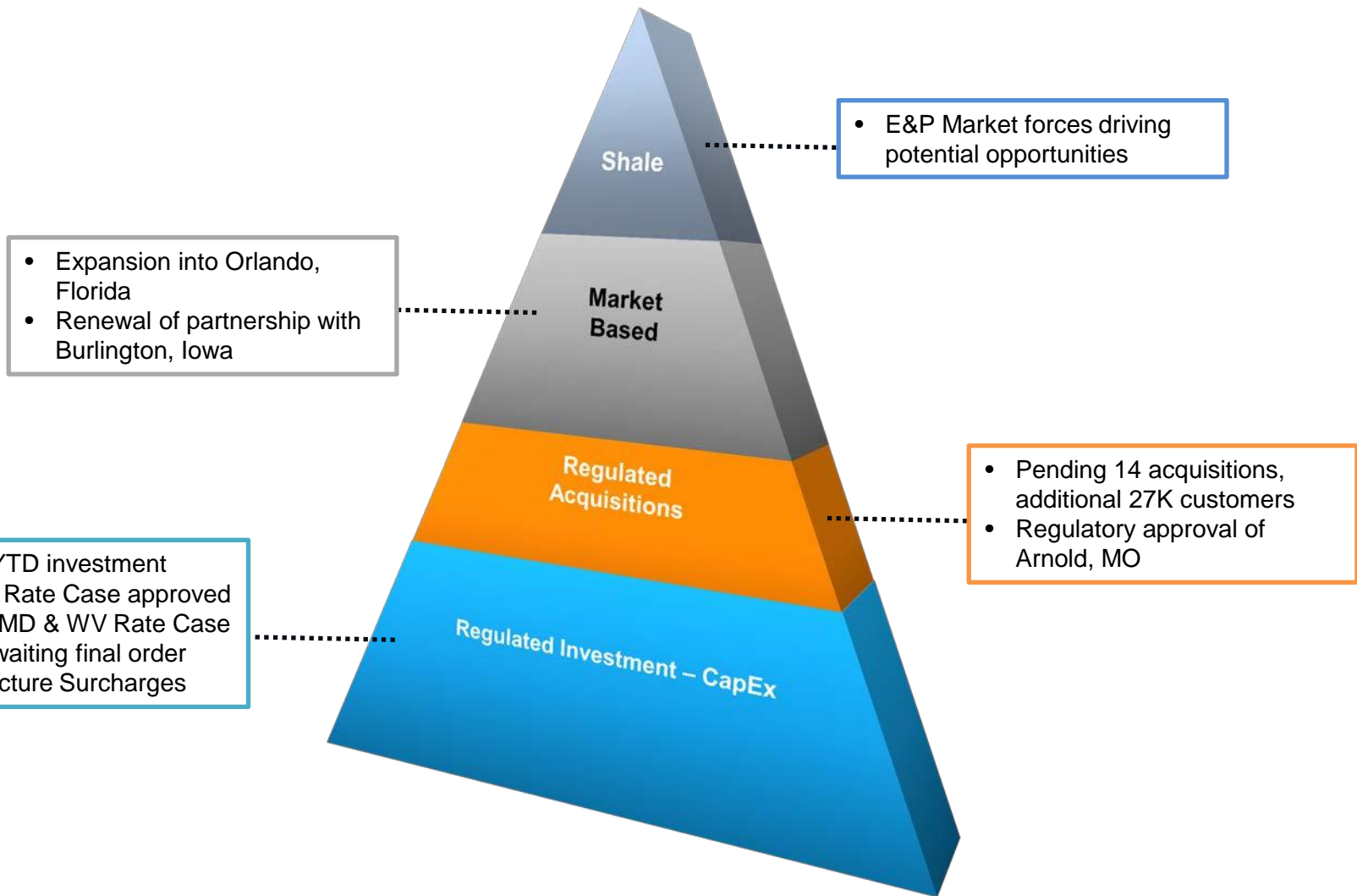


Note:

\* Adjusted Diluted Earnings Per Share is a non-GAAP measure.  
See slide 13 for reconciliation

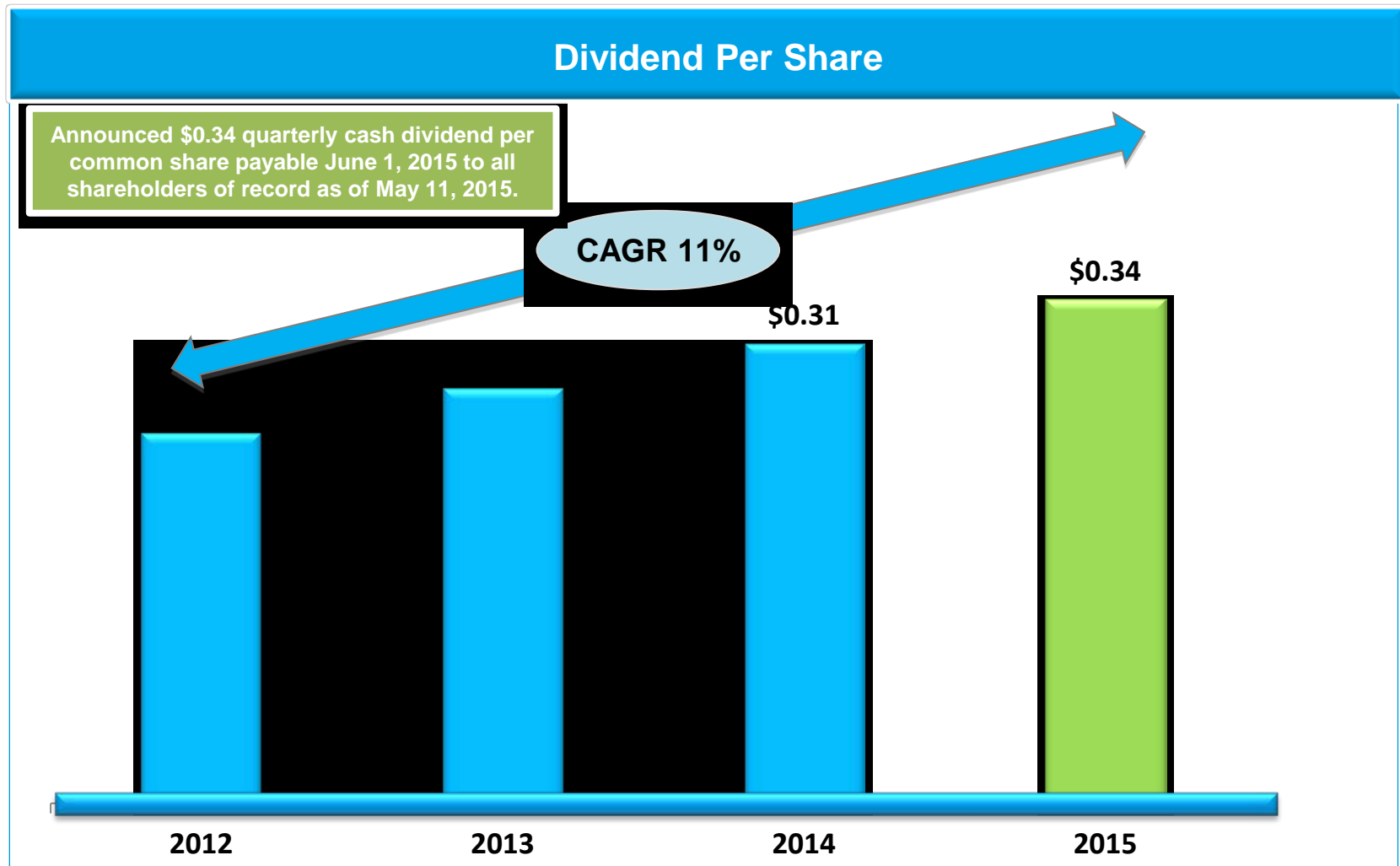


# 2015 YTD Growth Plan Highlights



# Third consecutive year of double-digit dividend increases

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**Top quartile Dividend Growth compared to DJUA companies and Water Peers\***

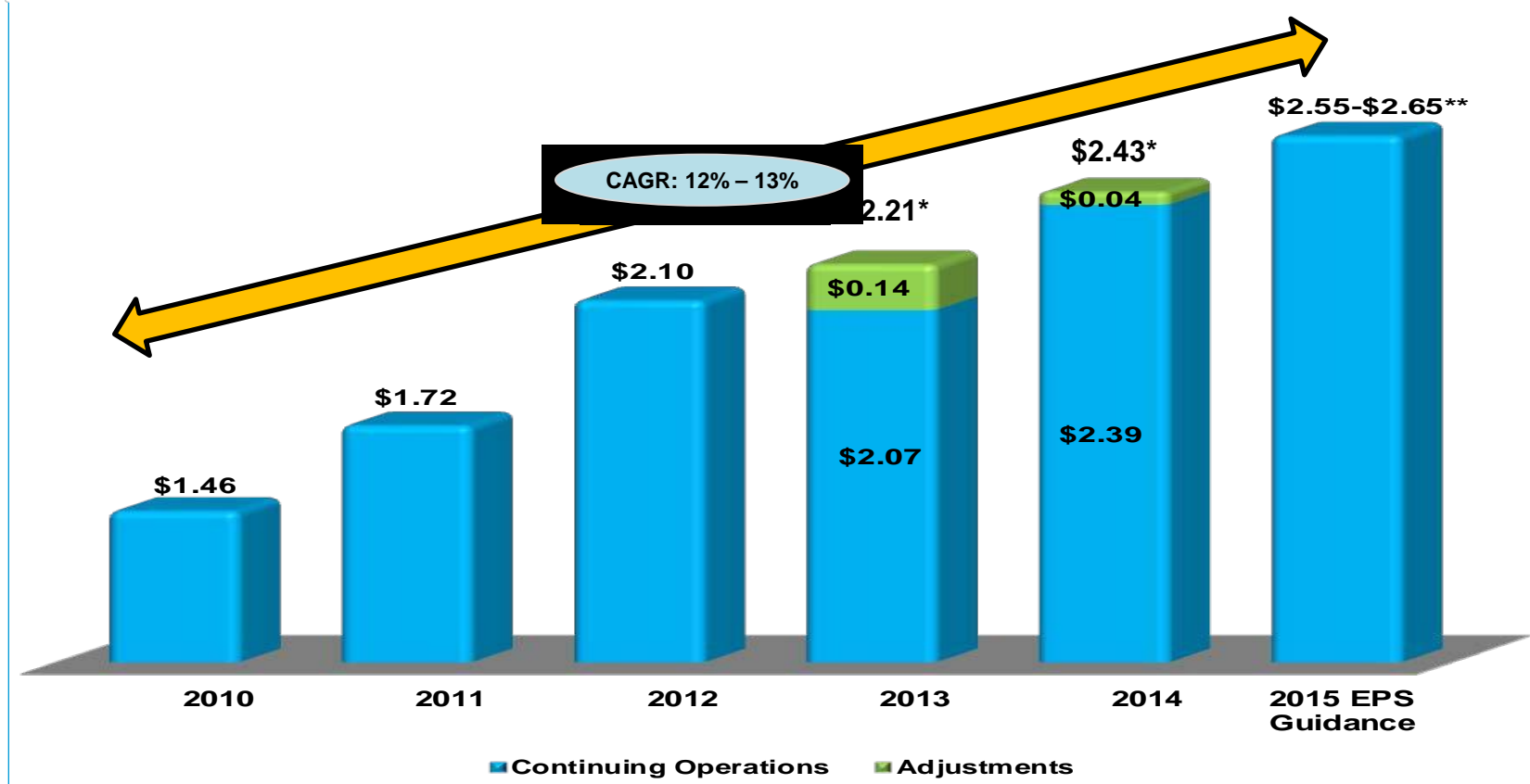
\* Source: Factset: Time Period: 2010 – 2014 Dividend Paid CAGR

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, CTWS, CWT, MSEX, SJW, WTR, YORW.

May 2015

# Outlook: Reaffirming 2015 Guidance

## Adjusted Diluted EPS From Continuing Operations



## Long-Term EPS Growth Goal 7 – 10%\*\*\*

Notes: \*Adjusted Diluted Earnings Per Share is a non-GAAP measure. See appendix for reconciliation.

\*\*2015 EPS Guidance range includes approximately 2 cents EPS impact for potential legal costs related to Freedom Industries spill in West Virginia and 3 cents EPS impact related to adoption of new mortality tables for pension and other retirement benefits expense

\*\*\* 2015 – 2019 EPS growth goal of 7-10% anchored from FY 2013

May 2015

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**Walter Lynch**  
**President and Chief Operating Officer**  
**Regulated Operations**





## California American Water rate case order, effective Jan 1, 2015:

- \$5.2M incremental revenues (Including advice letter projects and consumption decline)
- Recovery of SAP costs, and sharing of 1x proceeds from groundwater contamination litigation
- Forward test year approving \$126M in new investments through 2017



## West Virginia American Water rate case filing : \$35.6M increase

- \$105M in system improvements since 2012, additional \$98M through Feb, 2017
- O&M expenses decreased by \$1.1M, lowest levels since 2010
- Seek to defer recovery of Freedom Industries spill costs to a future proceeding



## Recent constructive legislation in Indiana:

- Amended DSIC bill which increases the DSIC revenue cap from 5% to 10%
- Referendum bill allowing extra time for public education during acquisitions
- Distressed utility acquisitions bill



## 2014 Water Quality Report:

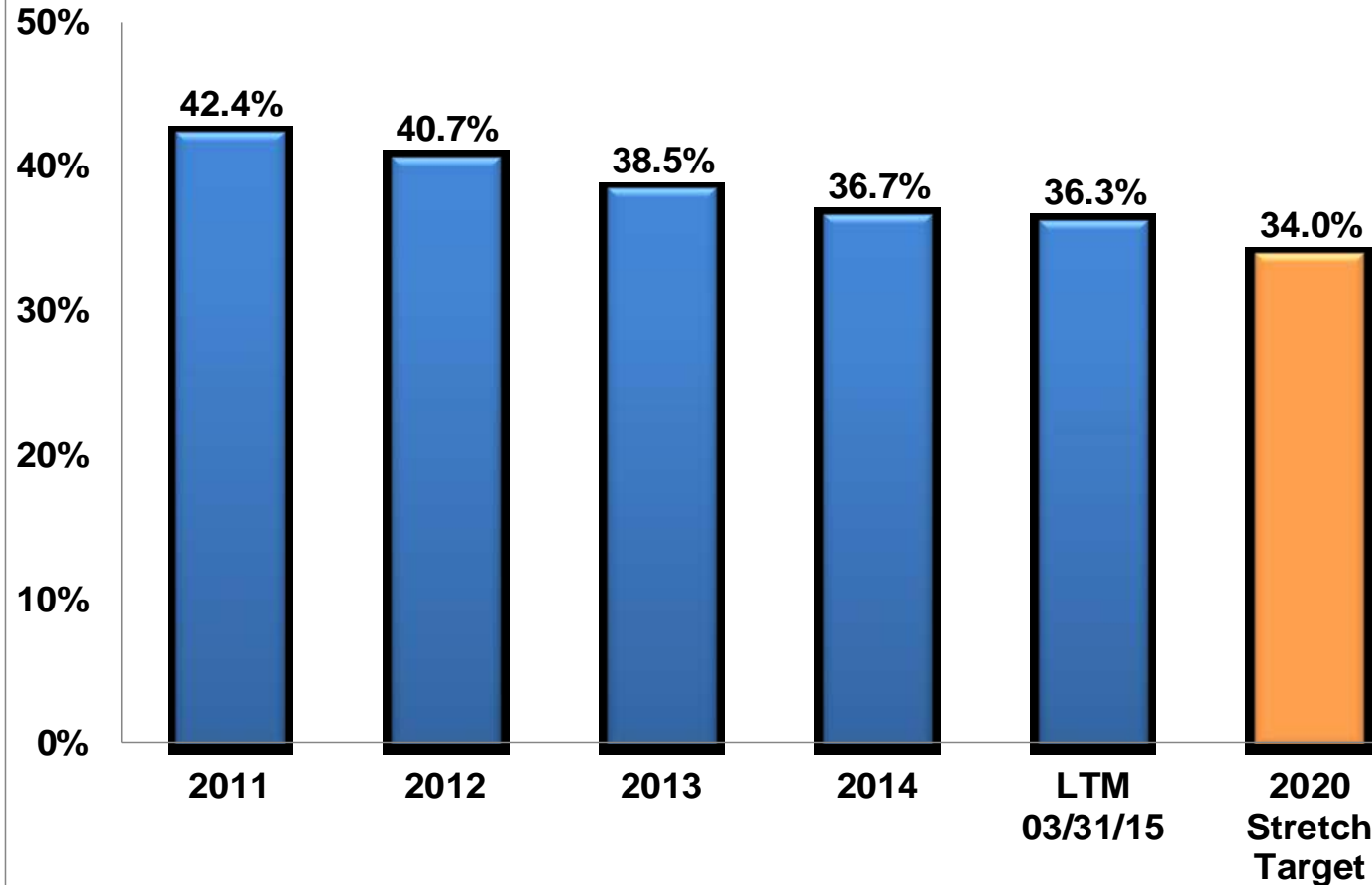
- Over 99% for compliance with safe drinking water standards
- 15x better than the industry average for compliance with drinking water quality standards
- 20x better than the industry average for meeting all drinking water requirements

# Our Disciplined Approach to Investing

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**O&M Efficiency Ratio**  
*Stretch Target of 34% by 2020*



Note:  
O&M Efficiency Ratio – Non-GAAP measure – See appendix for reconciliation

May 2015

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**Linda Sullivan**  
**Senior Vice President**  
**and Chief Financial Officer**



# 2015 First Quarter: Summary of Financial Results

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## First Quarter (in Diluted EPS)

	<u>2014</u>	<u>2015</u>
Net Income	\$0.38	\$0.44
Discontinued Operations	(\$0.01)	
Continuing Operations	\$0.39	\$0.44
Exclude: Freedom Industries spill	\$0.02	
<b>Adjusted EPS*</b>	<b>\$0.41</b>	<b>\$0.44</b>

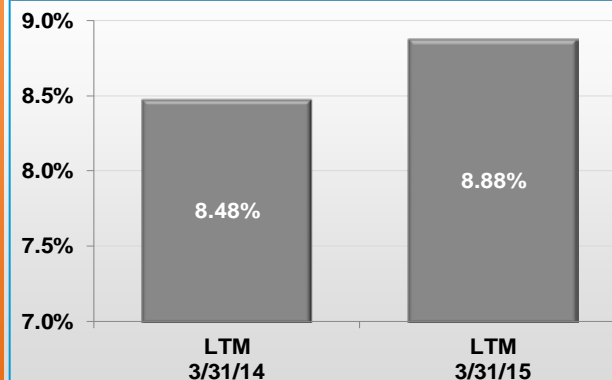
+\$0.03  
or 7.3%

## EPS Contribution By Business Segment (Diluted EPS from Continuing Ops)

	<u>2015</u>
Regulated	\$0.45
Market-Based	\$0.04
Parent Interest & Other	(\$0.05)
<b>Total EPS</b>	<b>\$0.44</b>

Note: \*Adjusted EPS, Non-GAAP measure

## Adjusted Return on Equity\*\*



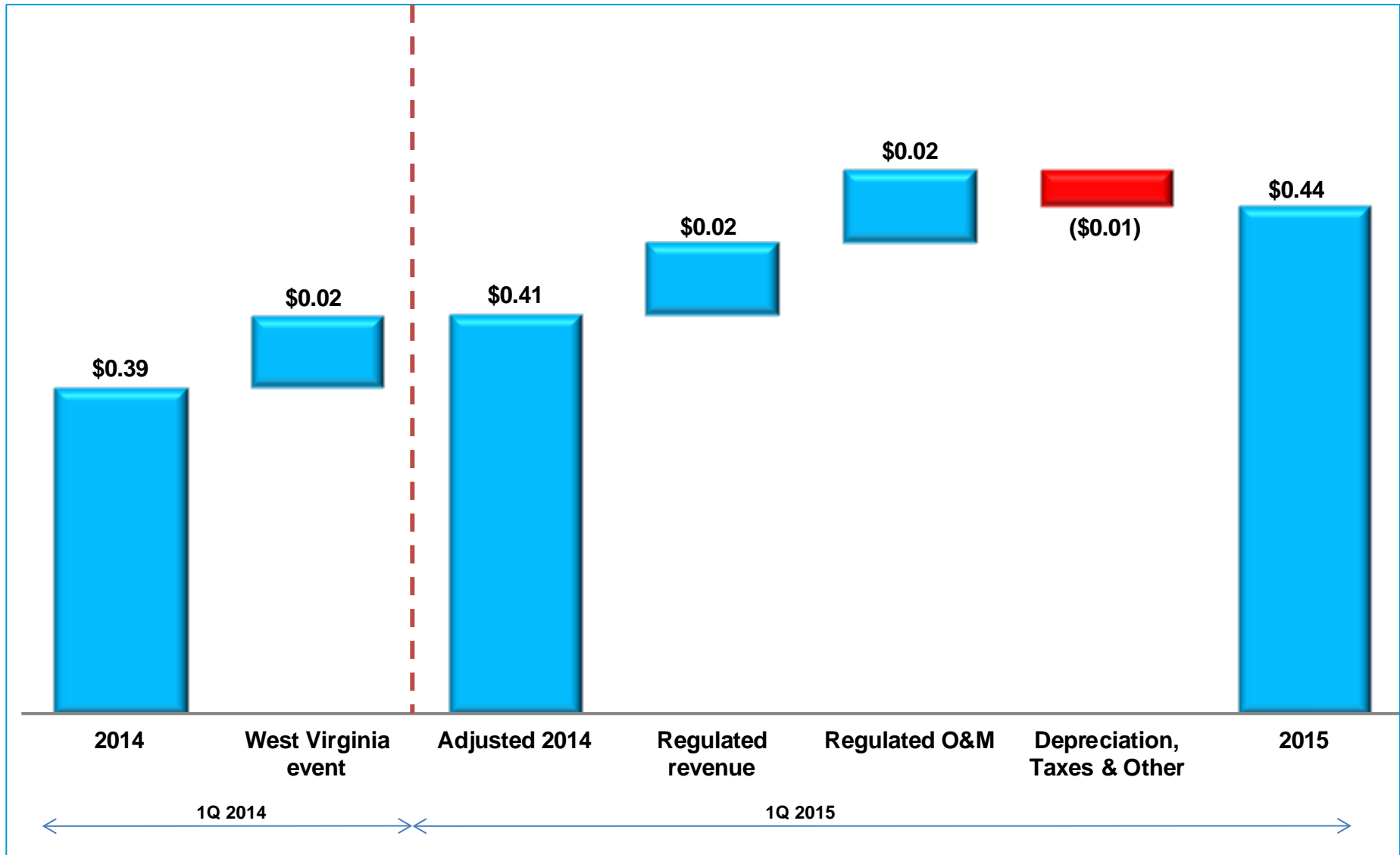
Note:

\*\*Adjusted Return on Equity, Non-GAAP measures see appendix for reconciliation



# 2015 First Quarter Adjusted diluted EPS from continuing operations bridge (Cents per common diluted share)

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May 2015

# Regulatory Highlights: Rate Cases Update

Rate Cases Awaiting Final Order	Company	Docket / Case Number	Date Filed	Revenue Increase	ROE Requested	Rate Base Filed
A. Rate Cases Filed	Kentucky WW	Case No. 2014-00390	11/14/2014	\$0.1 (a)	N/A	N/A
	New Jersey	Docket No. WR15010035	1/9/2015	66.2	10.75%	\$2,405.5
	West Virginia	Case 15 - 0676-W-42T & 15-0675-S-42T	4/30/2015	35.6 (b)	10.75%	540.0
				<b>\$101.9</b>		<b>\$2,945.5</b>
B. Rate Case Settlement Awaiting Regulatory Approval	Maryland	Case 9372	4/17/2015	\$0.5 (c)	10.00%	\$12.1
				<b>\$0.5</b>		<b>\$12.1</b>
C. Infrastructure Charges Filed	Tennessee (QIIP, EDI & SEC)	Docket No. 14-00121	12/29/2014	\$2.4 (d)		\$19.6
	Missouri (ISRS)	Docket No. WO-2015-0211	2/27/2015	1.9 (e)		17.2
	New York (SIC)	Case No. 11-W-0200	4/15/2015	0.1		0.4
				<b>\$4.4</b>		<b>\$37.2</b>

Rates Effective since April 1, 2014		Date Effective	Revenue Increase	Comments
D. Step Increases	New York	4/1/2014	\$1.2	Final Step
	California	Various	1.9 (f)	Final Step
			<b>\$3.1</b>	
E. Infrastructure Charges	New York (SIC)	4/1/2014	\$0.2	
	Tennessee (see note)	4/15/2014	0.5 (g)	
	Missouri (ISRS)	5/30/2014	3.7	
	New Jersey (DSIC)	7/1/2014	7.4	
	Missouri (ISRS)	12/31/2014	9.0	
	New Jersey (DSIC)	1/1/2015	9.4	
	Illinois (QIP)	1/1/2015	5.4 (h)	
	Illinois (QIP)	2/1/2015	1.0	
	Pennsylvania (DSIC – W & WW)	4/1/2015	1.6	
			<b>\$38.2</b>	
F. Rate Cases	Iowa	4/18/2014	\$3.8 (i)	
	Indiana	1/29/2015	5.1	
	California	1/1/2015	5.2 (j)	
			<b>\$14.1</b>	

Note: See Slide 26 in appendix for footnotes

May 2015

# On April 22, 2015, Moody's Changed American Water Works Outlook to Positive from Stable

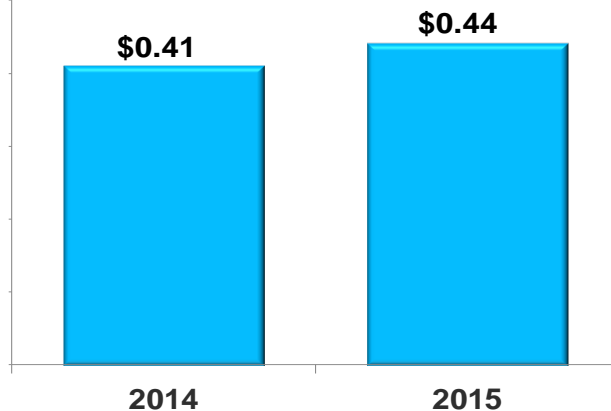
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- Moody's Changed American Water Works Outlook to Positive from Stable
- Affirmed the ratings of American Water Works Company, Inc. (AWK; Baa1 issuer rating)
- "The outlook change for American Water reflects our expectation for a sustained **improvement in the financial credit ratios**, including a ratio of funds from operations to debt." - Assistant Vice President Ryan Wobbrock
- "**American Water's geographic and regulatory diversity** provides a path to achieve a ratings level on par with its largest subsidiaries in New Jersey and Pennsylvania." - Assistant Vice President Ryan Wobbrock

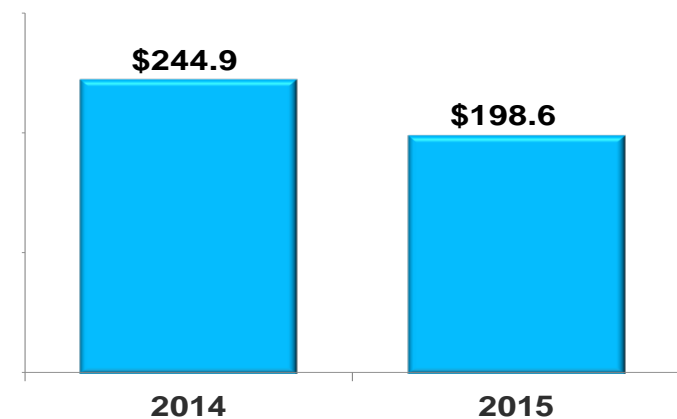


# Summary of First Quarter Results & 2015 Guidance

## Adjusted Diluted EPS from Continuing\*



## Cash Flow From Operations (in millions)



## Capital Investments (in millions)



~10%  
increase in  
quarterly  
Dividends

- Continuing our commitment to increase dividends in line with earnings growth
- Target Payout Ratio of 50 – 60%

Reaffirming  
2015  
Guidance:  
\$2.55 - \$2.65

- Includes approximately 2 cents EPS impact for potential legal costs related to Freedom Industries spill in West Virginia and 3 cents EPS impact related to adoption of new mortality tables for pension and other retirement benefits expense

\*Adjusted Diluted Earnings Per Share, Non-GAAP measures see slide 13 for reconciliation

May 2015

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**Susan Story**  
**President and Chief Executive Officer**



# Challenges in the U.S. Water Industry

- Water Supply

- Aging Water & Wastewater Infrastructure

- American Water's Leadership for Solutions:

- R&D group of 20 scientists, an industry leader in practical applied research and innovation
- Hundreds of engineers and thousands of skilled technical front line employees
- Use of new and emerging technologies
- Over \$1 billion investment in our assets per year over the next five years



# Our role in California

## Investing in Future of Water

- Total capital Investment ~\$300 million
- Desalination Plant : 6.4 or 9.6 MGD
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery



## Leading with Conservation

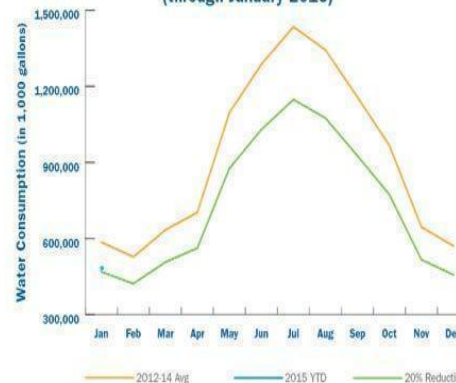
- Record drought, 25% mandatory statewide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
  - AMI Pilot in Monterey, monitor daily water consumption
  - Customers can sign up for text or email alert
- Usage decoupled from revenues

## CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

### Customer Conservation Progress

Current Consumption vs. 20% Reduction  
(through January 2015)



Conservation  
**GOAL: 20%**

Actual conservation:  
**17%**  
for Jan 2015

Water Waste Reports  
Received:  
January: **6**  
Year to Date: **6**

May 2015

## Investor Relations Team:

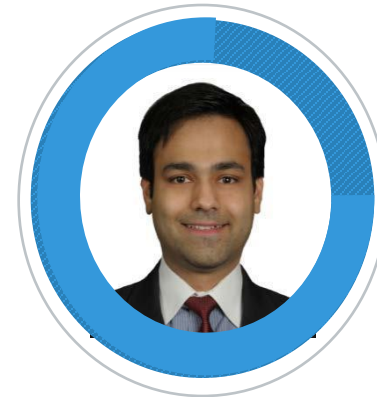


**Ed Vallejo**

Vice President – Investor Relations

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**AWK  
LISTED  
NYSE**



**Durgesh Chopra**

Director – Investor Relations

[Durgesh.chopra@amwater.com](mailto:Durgesh.chopra@amwater.com)

Tel: 856-566-4005

Fax: 856-782-2782

**Q2 2015 Earnings Call: August 6, 2015, 9 a.m. ET**

**Analyst Day: Dec. 15, 2015**



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## Appendix

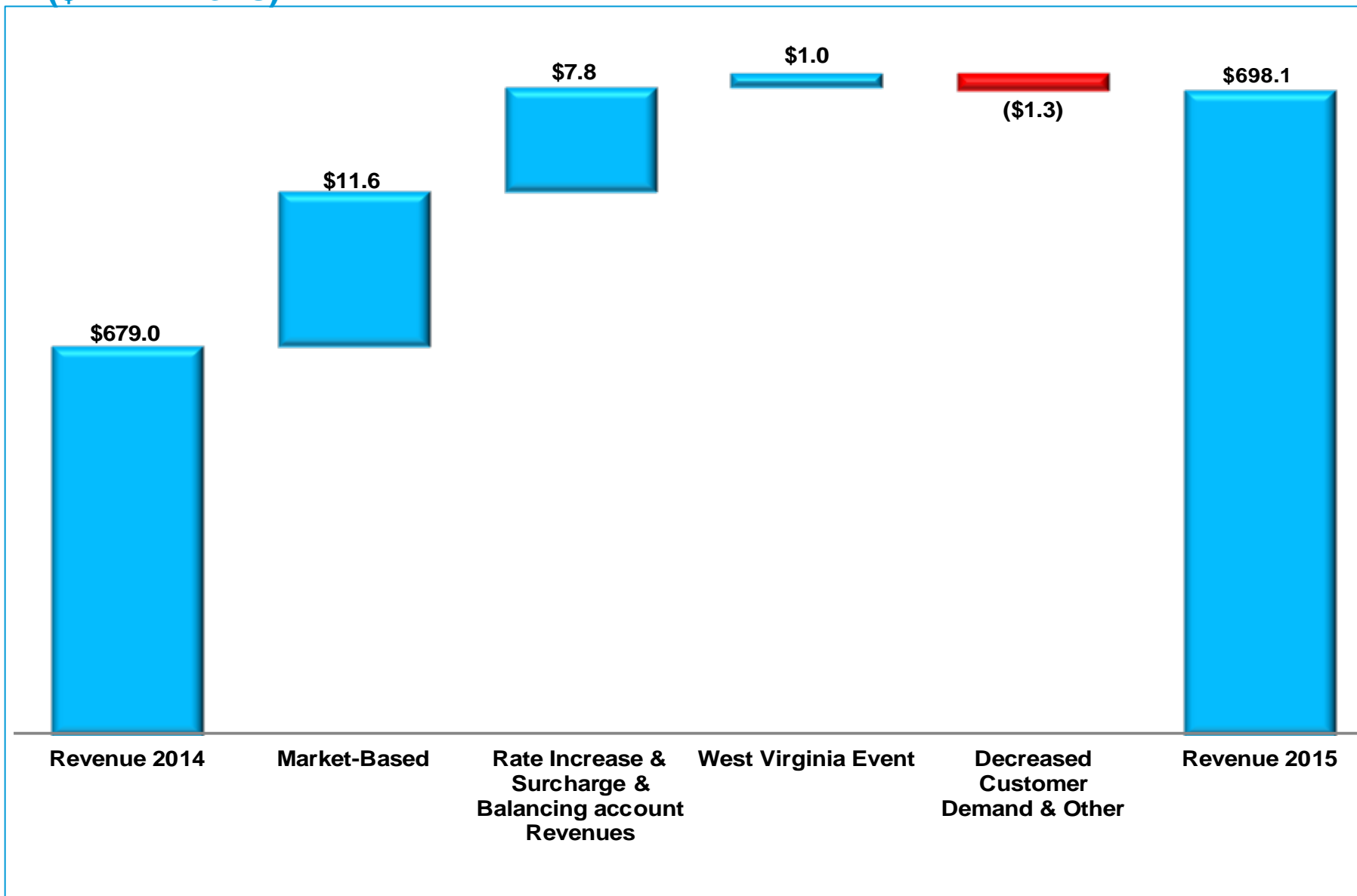


# 2015 First Quarter Revenue Breakdown

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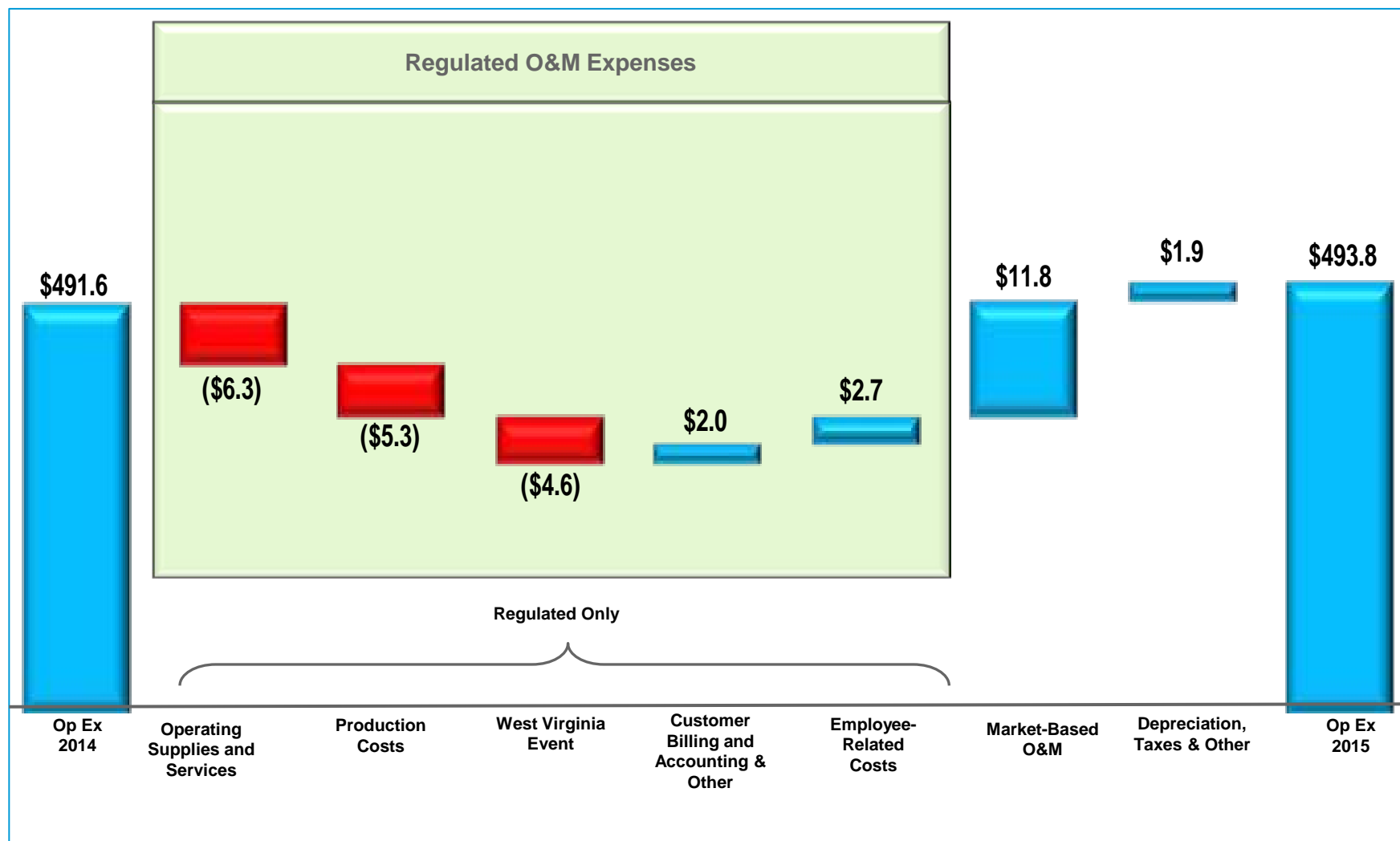
(\$ in millions)



May 2015











# 2015 First Quarter Operating Expense Breakdown

(\$ in millions)



# Regulated Utilities: Rate Base and Allowed Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

	 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER	
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
	 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER	
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

# Regulatory Highlights: Rate Cases Update Footnotes

- (a) Kentucky utilized the Alternative Rate Filing process designed for small utilities to file their case for their wastewater customers. The request for the proposed increase contemplates a two-step increment with the year one increase of 9.73% or \$29k and the second year increase of 10.70% or \$32k for a combined increase of \$61k.
- (b) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.
- (c) On April 17, 2015, the Company, the Office of Peoples Counsel (OPC) and the Staff submitted a settlement including an overall rate increase of \$.49 million. The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- (d) Supplemental filing to remove operational expenses related to SEC waste removal project (\$0.2 million), to now be collected under the 2015 PCOP mechanism. The original filing date was October 29, 2014.
- (e) The \$1.9M total includes a prior period undercollection of \$1.7M that the MO PSC is trying to include in the cap total. If they succeed, the amount we will collect from the ISRS is \$0.2M, which will cap us out at 10% for the ISRS.
- (f) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.
- (g) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("EDI") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k.
- (h) Illinois implemented a \$5.4 million infrastructure surcharge, which is \$0.8 million more than the \$4.6 million surcharge originally proposed in its 12/19/2014 filing.
- (i) The annual revenue increase of \$3.8 million from the IA GRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.
- (j) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote d) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.

# Comparison of Water Sales Volume

<u>Customer Class</u>	<u>Billed Water Sales Volumes</u> (In Millions of Gallons)			
	March YTD			
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Percentage</u>
Residential	37,654	39,937	-2,283	-5.7%
Commercial	17,290	18,989	-1,699	-8.9%
Industrial	8,997	9,815	-818	-8.3%
Public & Other	11,837	13,409	-1,572	-11.7%
<b>Total</b>	<u>75,778</u>	<u>82,150</u>	<u>-6,372</u>	<u>-7.8%</u>

# Rate Base Calculation

## Rate Base as of March 31, 2015<sup>(1)</sup>

(\$ in Thousands)

Net Utility Plant	\$12,985,631
Less	
Advances for Construction	\$362,722
CIAC – Contributions in Aid of Construction	\$1,081,260
Net Deferred income taxes	\$2,079,842
Deferred investment tax credits	\$24,676
Sub Total	\$3,548,500
<b>Rate Base</b>	<b>TOTAL \$9,437,131</b>

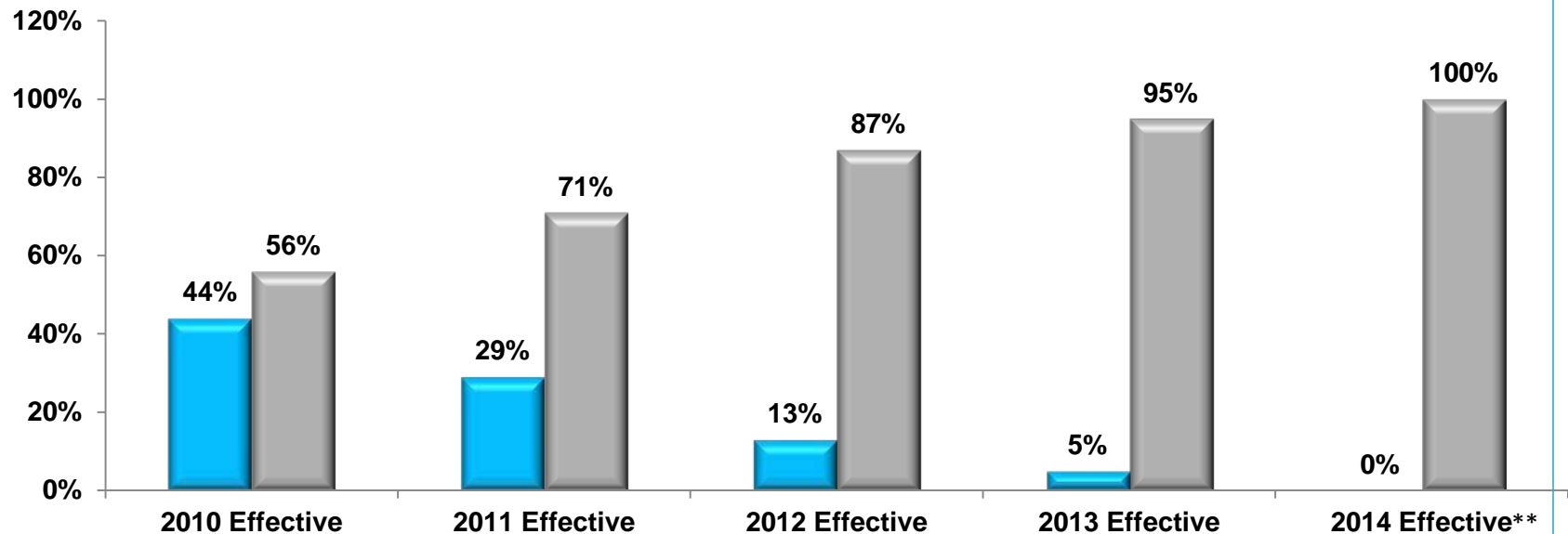
(1) An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes

# Disciplined approach to O&M cost controls enables more efficient use of our capital

## Incremental Revenue Requirement\*

– Increases Attributable to Opex vs. Capex –

■ Opex ■ Capex



Note:

\*Approximation in states where we received black box award

\*\*For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures.



# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$ 2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

# Reconciliation Tables: Adjusted Return on Equity

Adjusted Return on Equity		
(A Non-GAAP Unaudited Number)	For the Twelve Months Ended March 31,	
	2015	2014
<i>(\$ in thousands )</i>		
Net income	\$435,028	\$379,744
Adjustments:		
2013 Debt Tender Offer	\$0	\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$3,598	\$3,541
Loss (income) from discontinued operations	\$5,743	\$1,767
<b>Adjusted net income from Continuing Operations</b>	<b>\$444,369</b>	<b>\$409,808</b>
Stockholders' equity	\$4,992,938	\$4,801,087
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$3,598	\$3,541
Loss (income) from discontinued operations	\$5,743	\$1,767
<b>Adjusted stockholders' equity</b>	<b>\$5,002,279</b>	<b>\$4,831,151</b>
<b>Adjusted Return on Equity</b>	<b>8.88%</b>	<b>8.48%</b>

# Reconciliation Table: Regulated O&M Efficiency Ratio

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<b>Regulated O&amp;M Efficiency Ratio</b> <b>(A Non-GAAP Unaudited Number)</b> <b>(\$ in thousands)</b>	FY	FY	FY	FY	LTM Mar
	2011	2012	2013	2014	2015
Total Operations and Maintenance Expense	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864	\$ 1,348,516
Less:					
Operations and Maintenance Expense – Market Based Operations	256,746	256,268	240,610	289,395	301,183
Operations and Maintenance Expense – Other	(69,192)	(56,755)	(56,973)	(51,038)	(52,677)
Total Regulated Operations and Maintenance Expense	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507	\$1,100,010
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	30,590	35,067	34,635	38,985	39,855
Regulated Purchased Water Expense	99,008	110,173	111,119	121,301	120,590
Impact of West Virginia Freedom Industries Chemical Spill				10,438	5,797
Estimated impact of weather (mid-point of range)		4,289	(1,687)	(1,762)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>	<b>\$935,530</b>
Total Operating Revenues	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328	\$3,030,403
Less:					
Operating Revenues – Market Based Operations	303,171	307,366	302,541	354,679	366,296
Operating Revenues – Other	(30,470)	(17,874)	(17,523)	(17,680)	(17,988)
Total Regulated Operating Revenues	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329	\$2,682,095
Less:					
Regulated Purchased Water expense*	99,008	110,173	111,119	121,301	120,590
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill				1,012	-
Estimated impact of weather (mid-point of range)		(42,885)	15,625	16,785	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>	<b>\$2,578,290</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>	<b>36.3%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

May 2015

# Reconciliation Table: Closed & Pending Acquisitions

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Acquisitions				
2014 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
IL	1		500	500
IN	2	754		754
KY	1	466	392	858
MO	2	485	442	927
NJ*	1			
NY	2	419	413	832
PA	4	36	618	654
Total	<u>13</u>	<u>2,160</u>	<u>2,365</u>	<u>4,525</u>
Announced Pending Acquisitions**				
(As of May 7, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	3	2,098	253	2,351
IN	2	548		548
MO	3	25	9,150	9,175
NJ	2	4,500	9,800	14,300
PA	4	246	405	651
Total	<u>14</u>	<u>7,417</u>	<u>19,608</u>	<u>27,025</u>

\*NJ American acquired the treatment plant and pump stations but previously had owned the collection systems so no additional customers

\*\*Announced pending defined as awaiting financial close, Municipal and/or Regulatory approval

May 2015

**NYSE: AWK**

# Institutional Investor Presentation

**June 2015**



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, timing of the Orlando home warranty protection program launch, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including as related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events, including drought or abnormally high rainfall, strong winds and coastal, intercoastal flooding and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including, concession arrangements and agreements for the provision of water services to facilitate hydraulic fracking in shale regions; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on the company's current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws

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## American Water Overview



# American Water: The Premier Water Services Provider in North America

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## Market Statistics\*

- **\$15.5 Billion** Total Enterprise Value
- **750,000** Average Daily Trading Volume
- **\$9.5 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
  - 89% Regulated, 11% Market Based
- **13.7%** Total Shareholder Return for Last 12 Months
- **2.6%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,400** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

\* Market data as of May 29, 2015, Source : FactSet

June 2015



# Why American Water is the right investment for you

**AWK**  
**LISTED**  
**NYSE**

- Industry Leading projected **7-10%** Long Term EPS Growth with **0.8** Beta\*
- **8%** Dividend Growth rate Top Quartile in Utilities\*\*
- Operational Excellence Minimizes Bill Increases projected **2%** on an average
- Commitment to Innovation & Environmental Stewardship, over **600** technologies examined

\*Source : Factset 5 Yr Beta (Adjusted)

\*\*Source: Factset , Top quartile dividend paid CAGR, Time Period: 2010 – 2014

Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , CTWS , CWT , MSEX , SJW , WTR , YORW  
 June 2015

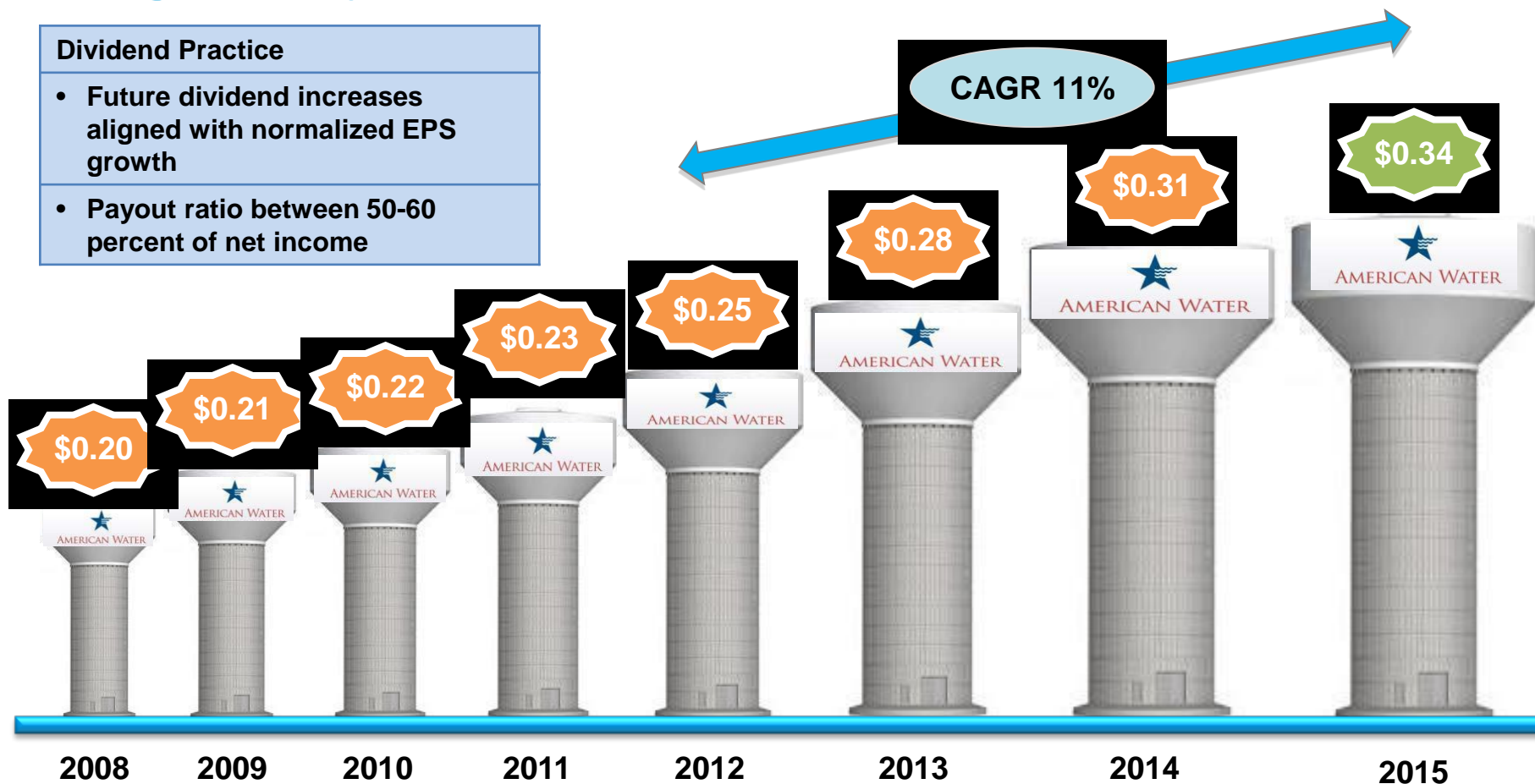
# Long History of Consistent Dividend Growth

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## Dividend Practice

- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income



**Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers\***

\* Source: Factset: Time Period: 2010 – 2014 Dividend Paid CAGR

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, CTWS, CWT, MSEX, SJW, WTR, YORW.

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[www.amwater.com](http://www.amwater.com)

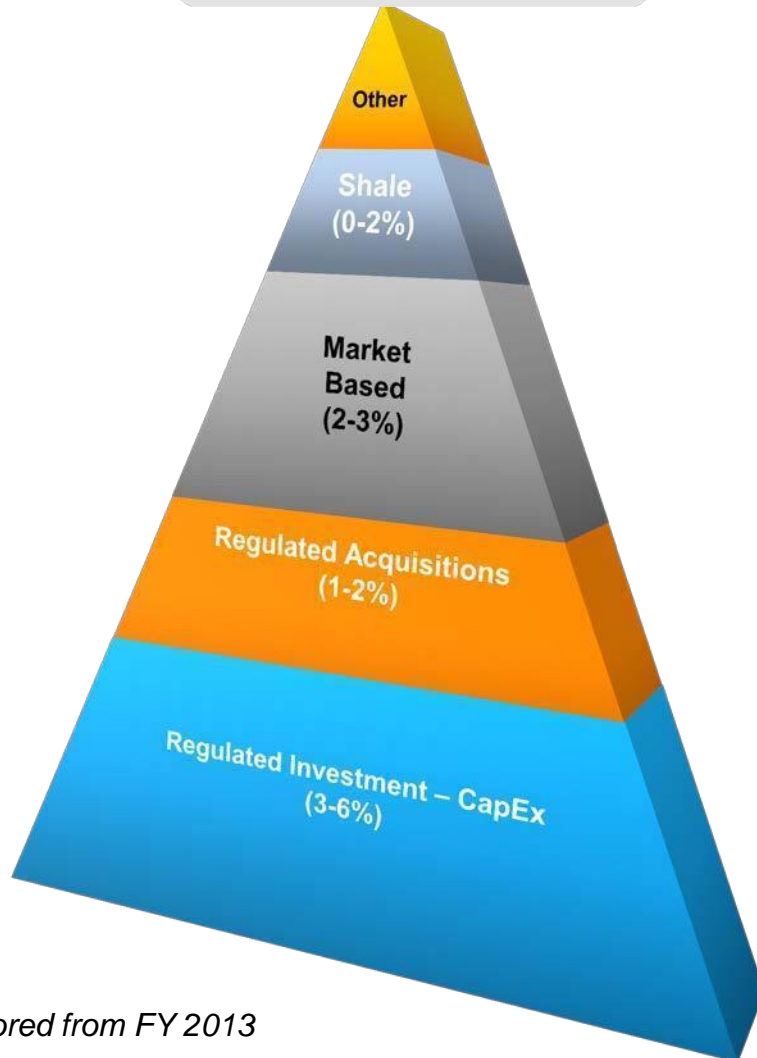
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# Our Future: Our commitment over the next 5 years

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## 2015 - 2019 Plan



- Industry Leading **7-10%**  
Long Term EPS Growth\*
- \$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

\*Anchored from FY 2013

June 2015

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7

## 2014 Water Quality Report

- **15x** better than the industry average for compliance with drinking water quality standards
- **20x** better than the industry average for meeting all drinking water requirements



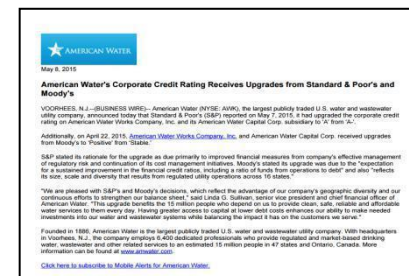
## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Rating Upgrade

- Standard & Poor's (S&P) reported on May 7, 2015, it had upgraded American Water's corporate credit rating to 'A' from 'A-'
- Additionally, on April 22, 2015, the company received upgrades from Moody's to 'Positive' from 'Stable.'



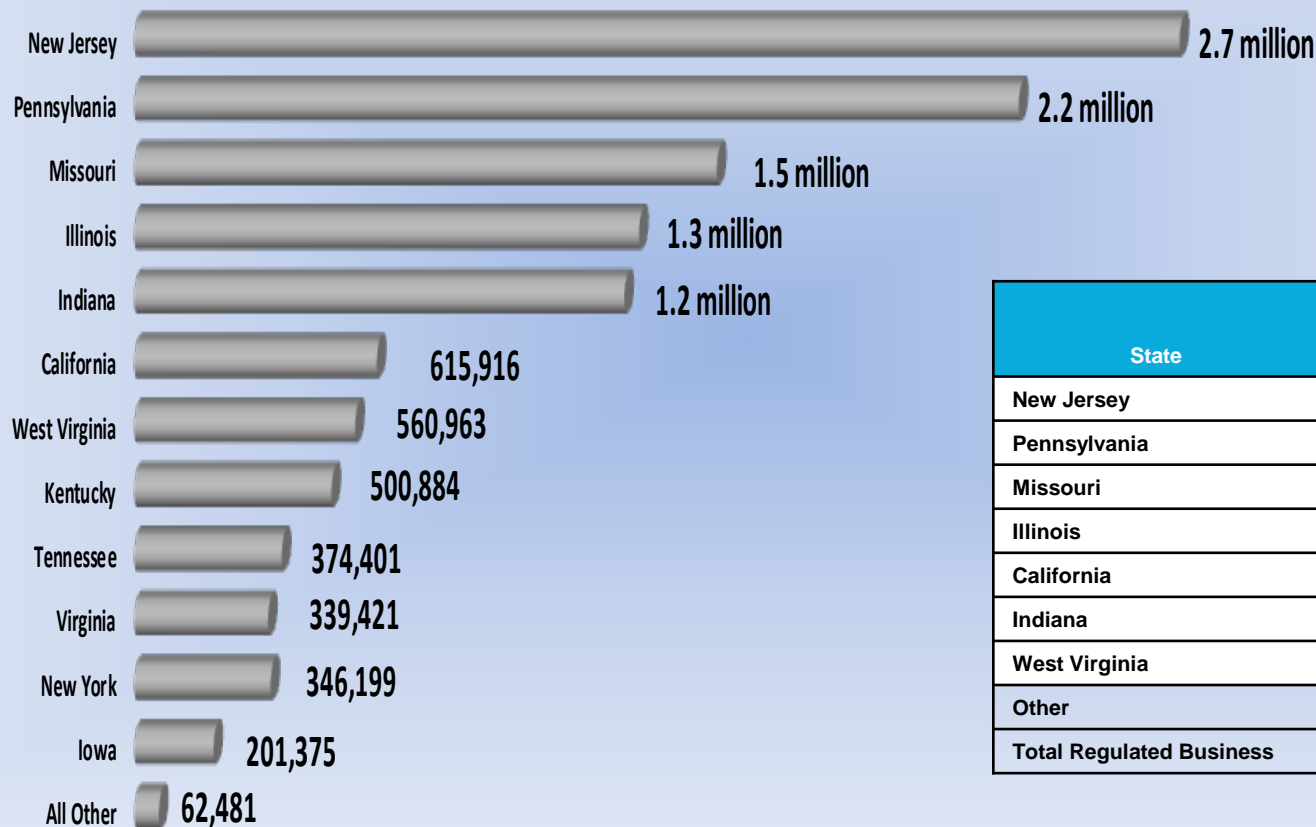
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## Our Regulated Business



## States Where We Operate

(approximate population served by state )\*

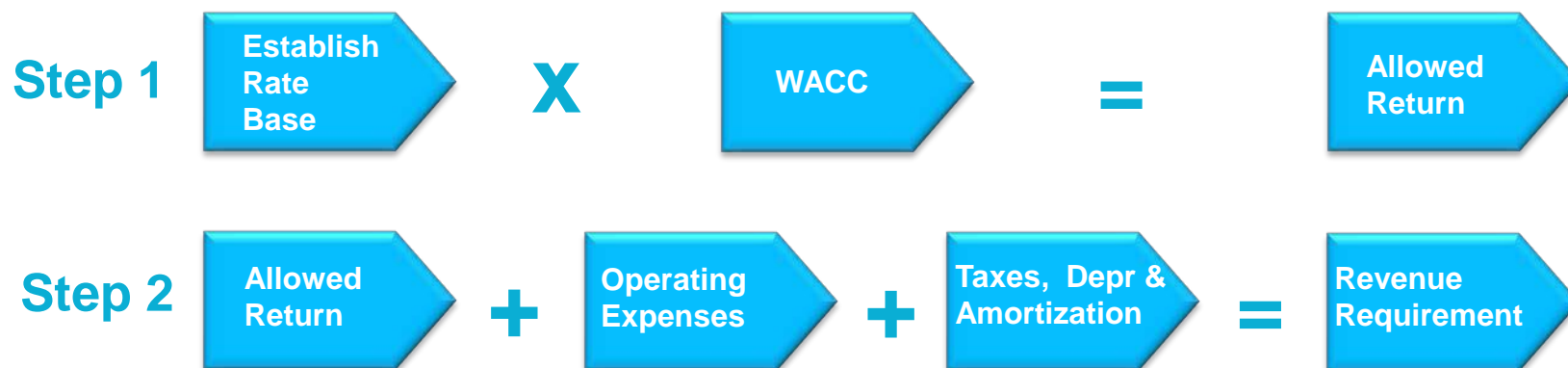


State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
<b>Total Regulated Business</b>	<b>\$2,674.3</b>	<b>100%</b>

\* Population data for FY 2014

# The Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases



American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks



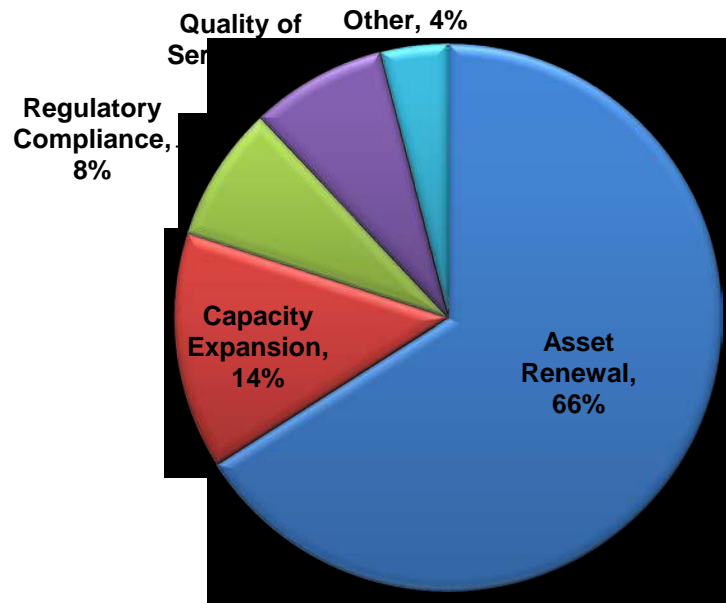
# Investment in Water and Wastewater Industry is urgently needed

- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

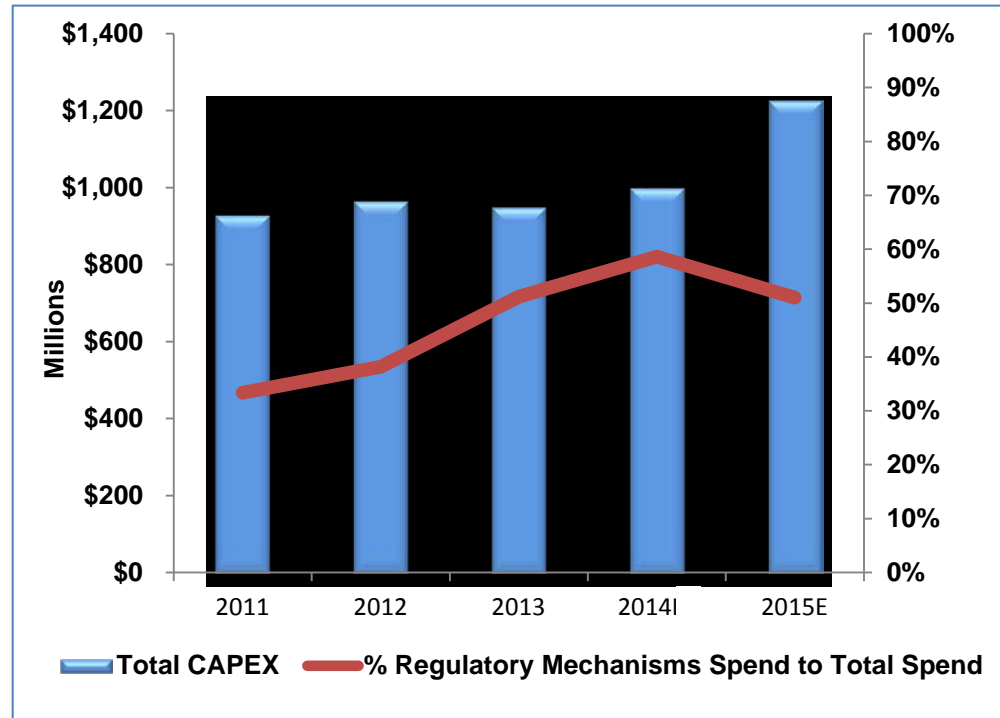


# Regulatory Capital Investment of \$5.2 billion over next five years

2015 – 2019 Average Capital Expenditures by Purpose

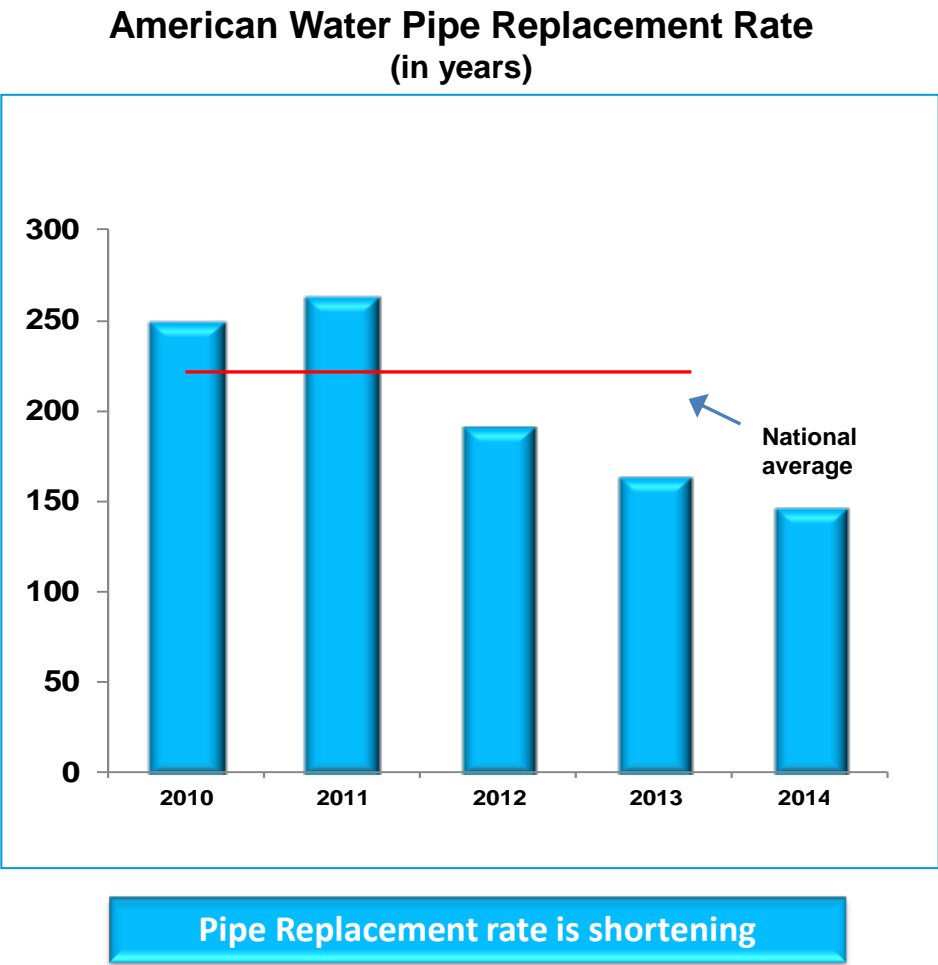
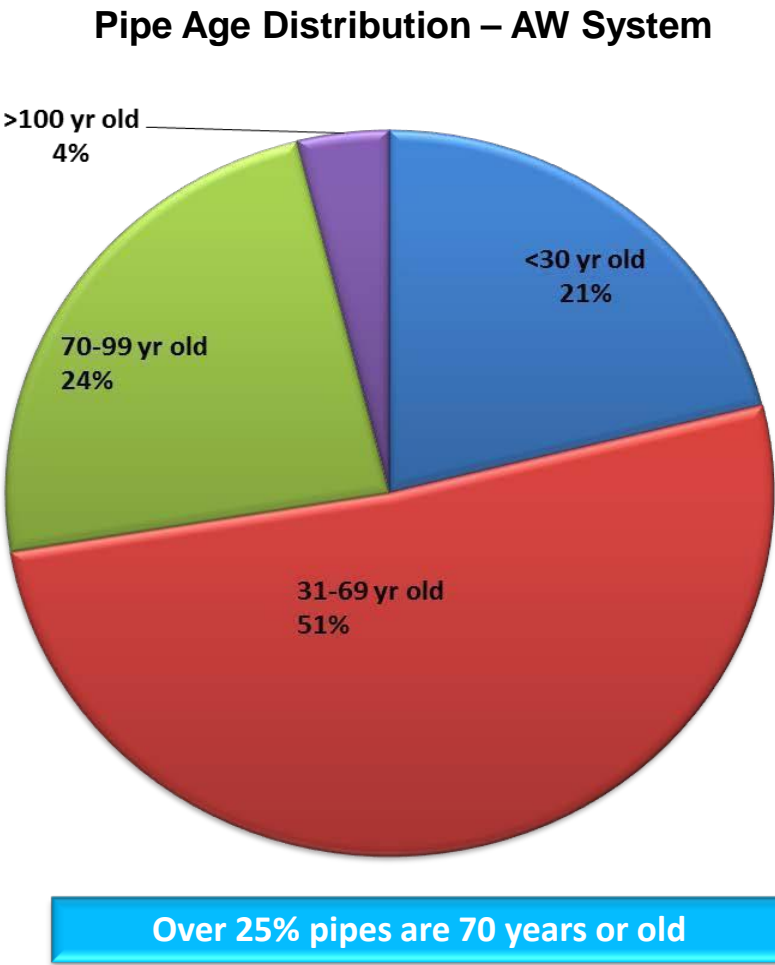


Investments covered by Regulatory Mechanisms



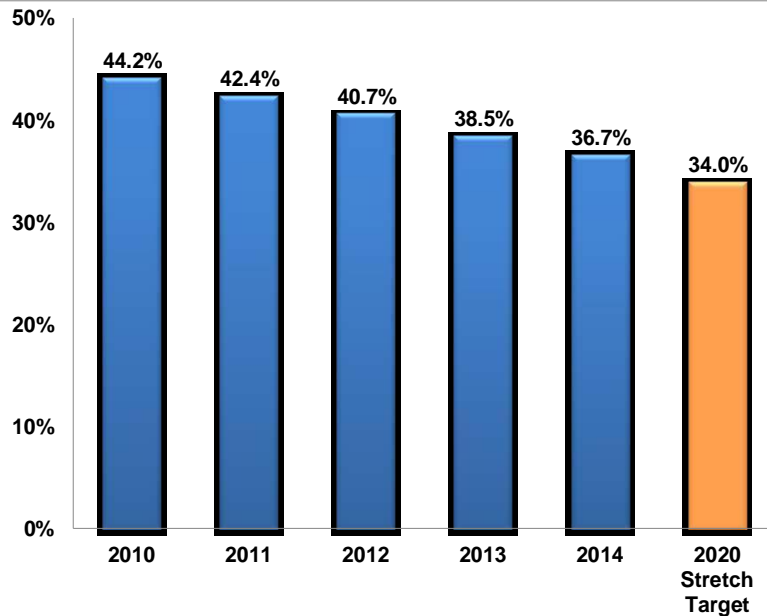
Note

(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years



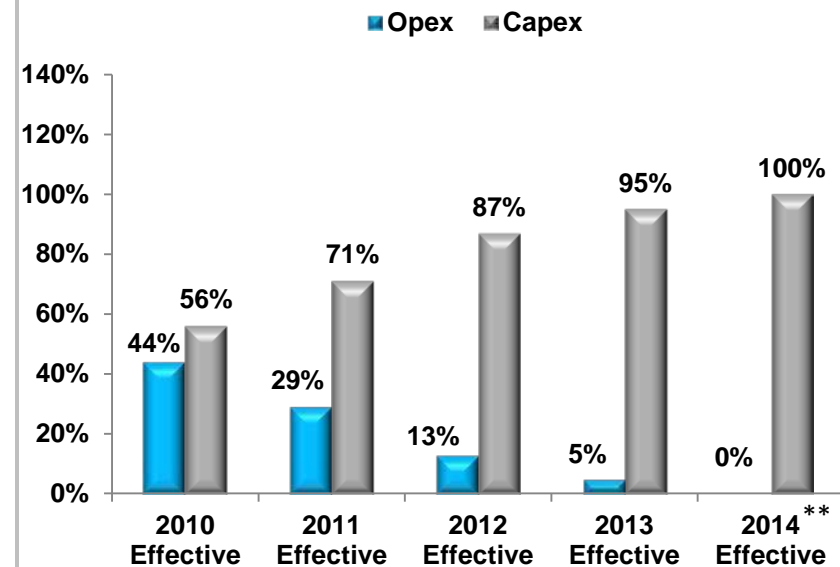
# Our Disciplined Approach to Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:

- \* Approximation in states where we received black box award
- \*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

## Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
<b>NJ</b>	<b>x</b>		<b>x</b>	<b>x</b>		<b>x</b>
<b>PA</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x<sup>(3)</sup></b>
<b>MO</b>	<b>x</b>		<b>x</b>	<b>x</b>		<b>x<sup>(3)</sup></b>
<b>IL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>IN</b>	<b>x</b>	<b>x</b>		<b>x</b>		<b>x<sup>(3)</sup></b>
<b>WV</b>				<b>x</b>		
<b>CA</b>		<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>
<b>KY</b>		<b>x</b>		<b>x</b>	<b>x</b>	
<b>NY</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x<sup>(2)</sup></b>	<b>x</b>
<b>TN</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x<sup>(3)</sup></b>
<b>VA</b>	<b>x<sup>(4)</sup></b>	<b>x</b>	<b>x</b>		<b>x</b>	
<b>IA</b>				<b>x</b>		
<b>HI</b>		<b>x</b>				
<b>MD</b>			<b>x</b>	<b>x</b>		<b>x</b>

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/ Waste Water Infrastructure Surcharge (A DSIC mechanism).

June 2015

# Our role in California

## Investing in Future of Water

- Total capital Investment ~\$300 million
- Desalination Plant : 6.4 or 9.6 MGD
- Heated Metal Oxide Particles (HMOPs)
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery



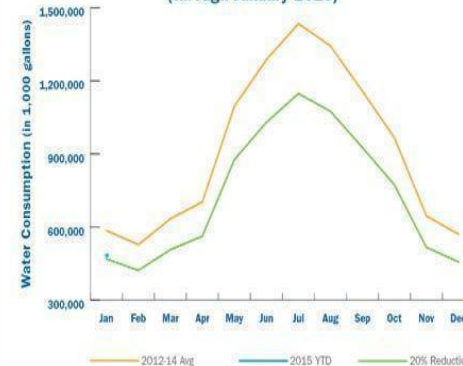
## Leading with Conservation

- Record drought, 25% mandatory statewide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
  - AMI Pilot in Monterey, monitor daily water consumption
  - Customers can sign up for text or email alert
- Usage decoupled from revenues

## CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

### Customer Conservation Progress Current Consumption vs. 20% Reduction (through January 2015)



Conservation  
**GOAL: 20%**

Actual conservation:  
**17%**  
for Jan 2015

Water Waste Reports  
Received:

January: **6**  
Year to Date: **6**

June 2015

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## Our Market-Based Business



# Market based businesses generate complementary opportunities for growth

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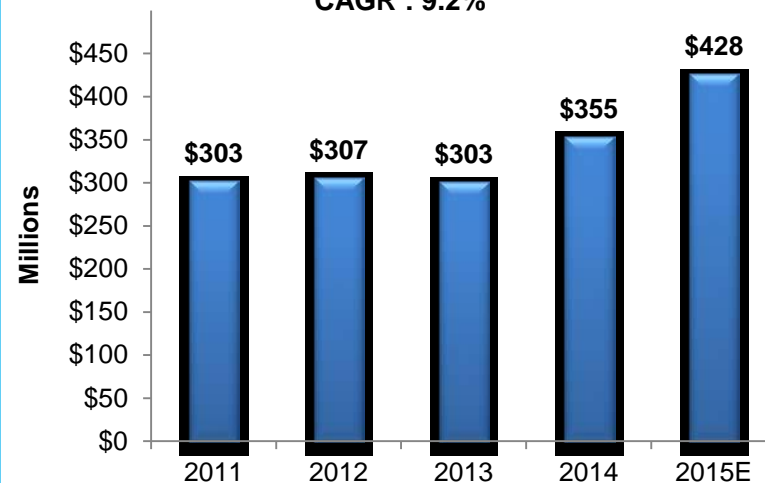
## Lines of Business

- Homeowner Services (HOS)
- Contract Operations
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

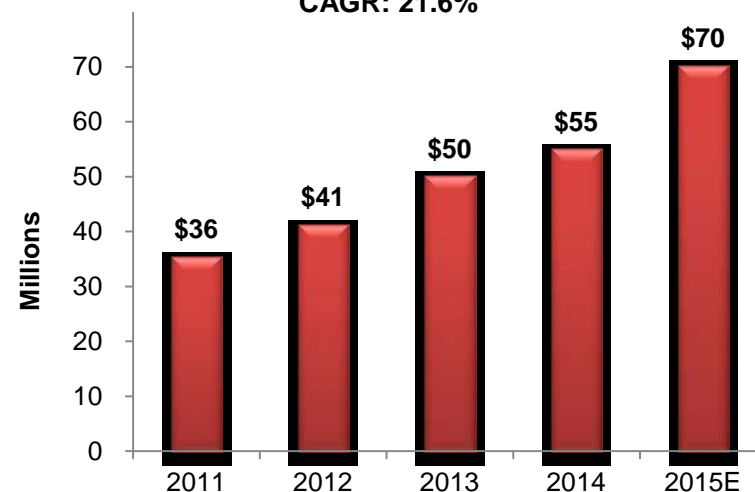
## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets

## Revenues CAGR : 9.2%



## Operating Income CAGR: 21.6%

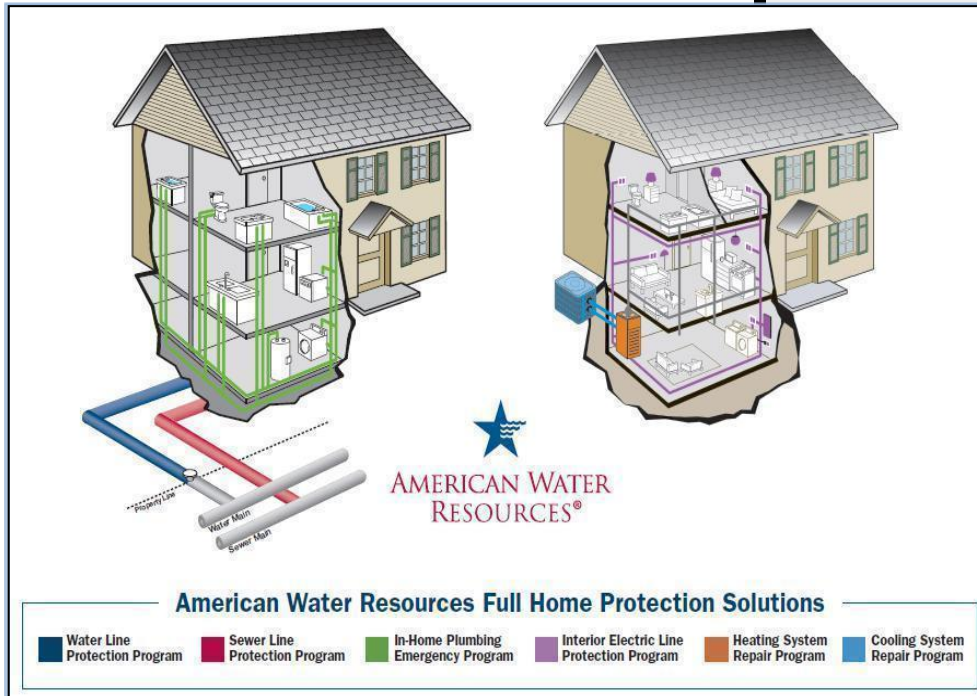


Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

June 2015



# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***



# Military Services: Overall Growth Strategy

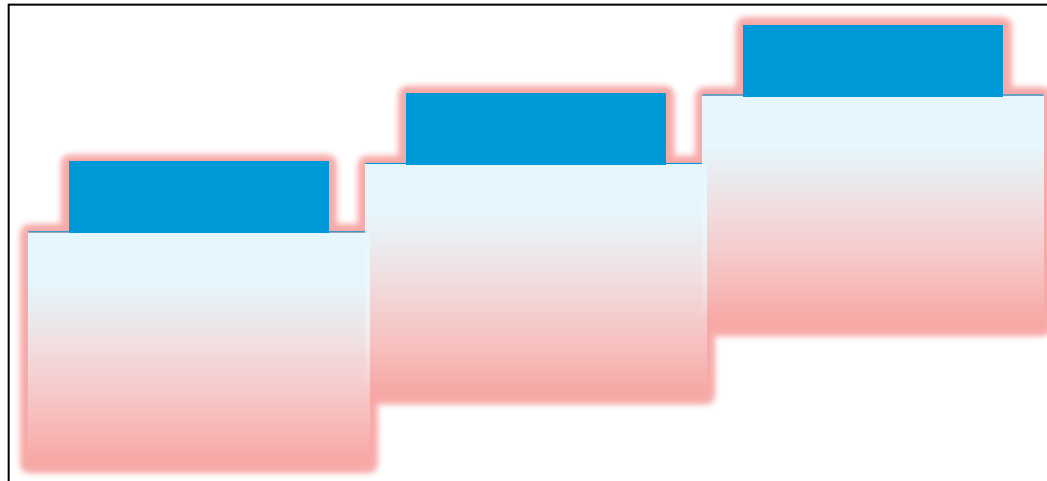
## Add New Customers

### Current Bases

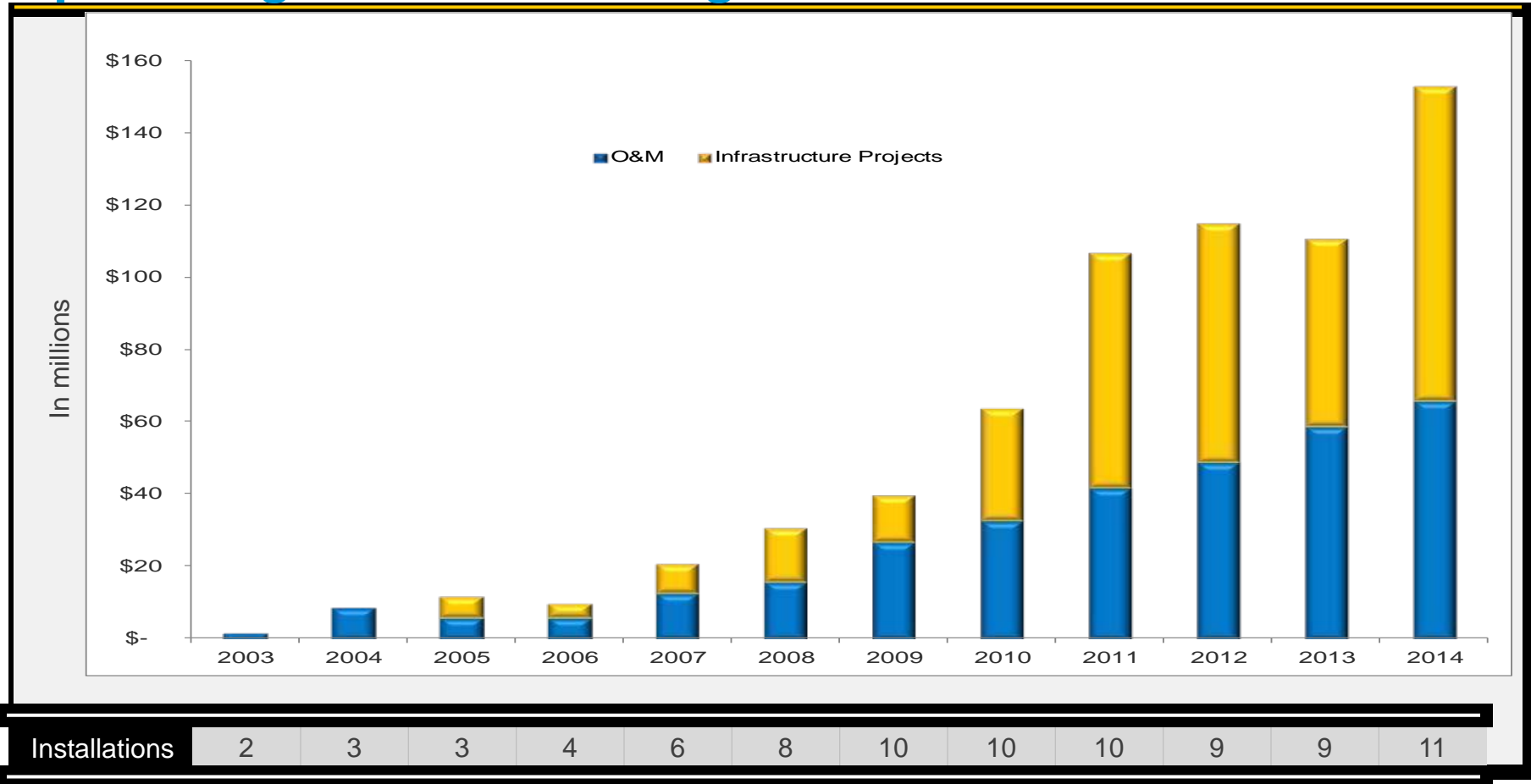
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Leavenworth (39 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)

## Optimize Existing Bases

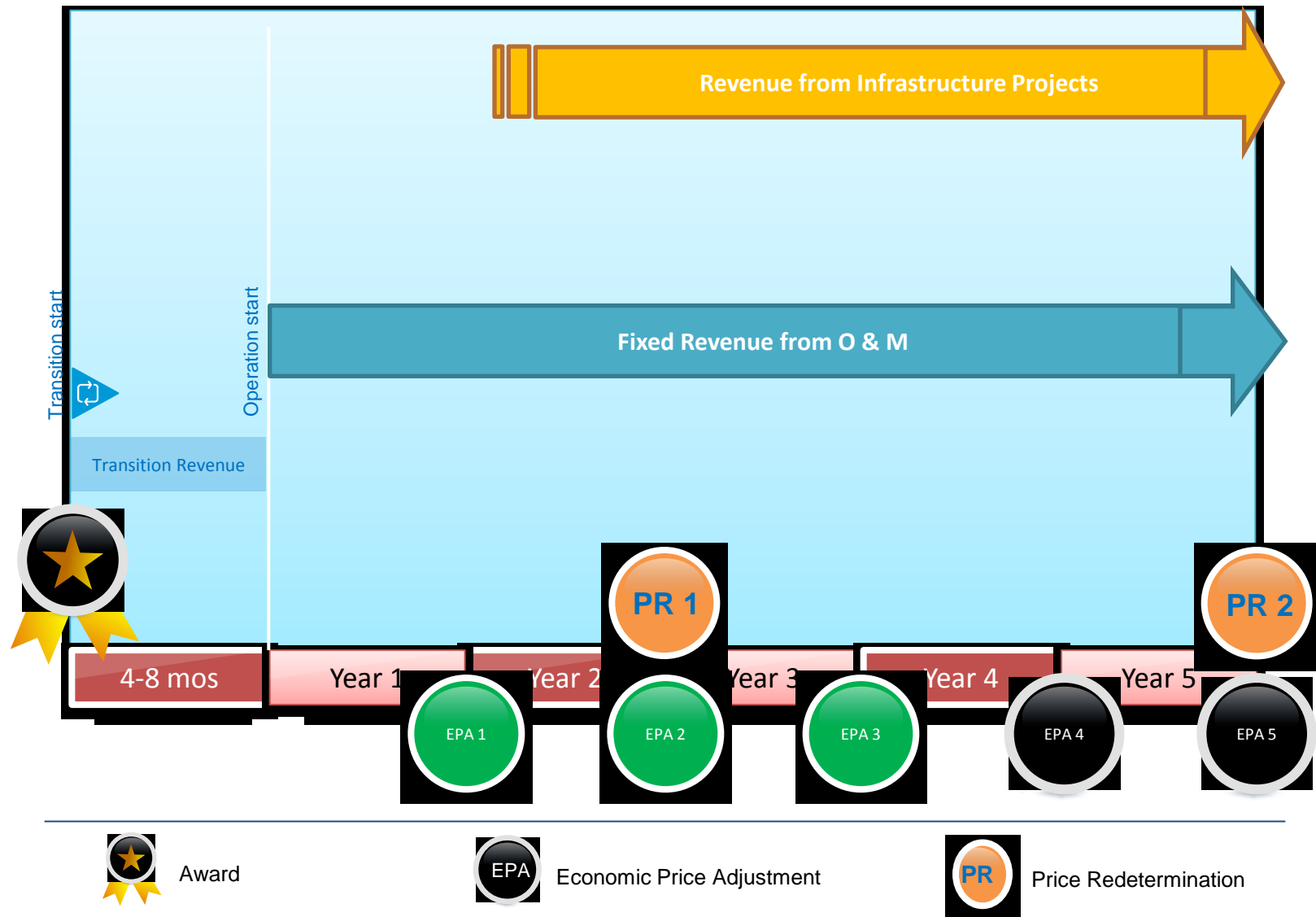
1. Price Redeterminations
2. Infrastructure Modifications

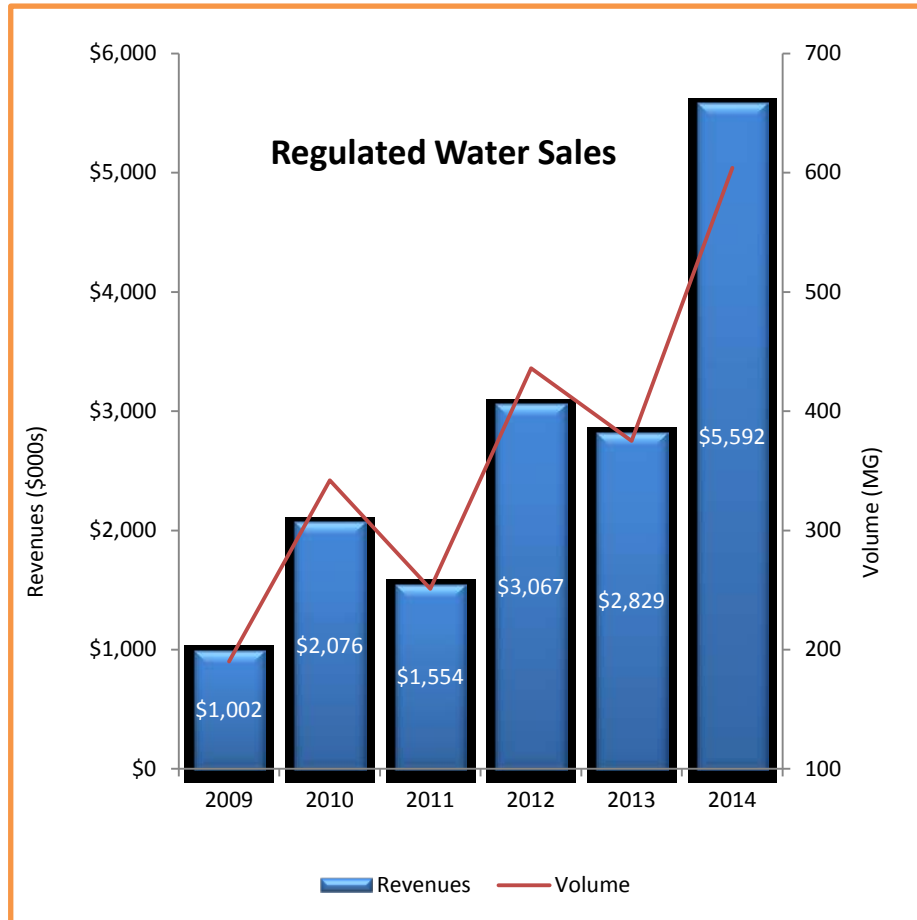


# Military Services : Growth by Adding New Bases and Optimizing Value at Existing Bases



# Military Services : Typical Revenue – First 5 years of Contract





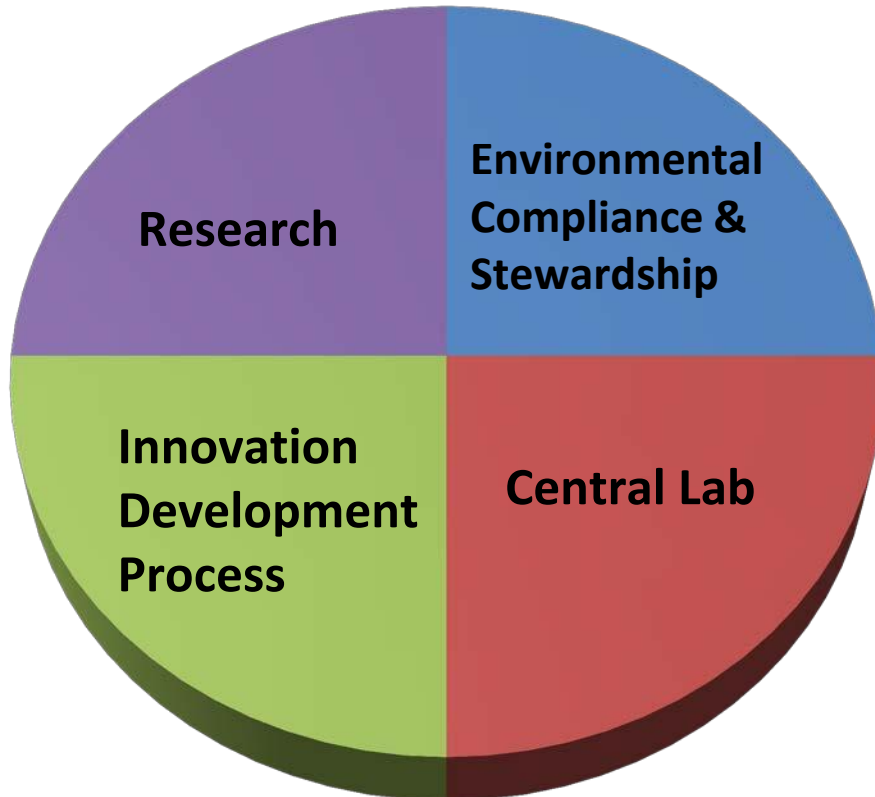
## Market Overview:

- Dynamic environment
- Reduction in 2015 Capex by E&P's
- Maintaining production volumes in 2015 due to previous commitments

## AWK Opportunities (0-2% EPS)

- Marcellus & Utica are least impacted (Lower cost)
- With reductions in E&P Capex, opportunities for deploying our capital
- Evaluating sustainable produced water treatment options

# INNOVATION AND ENVIRONMENTAL STEWARDSHIP



## Interdisciplinary team of 40 people:

- Engineers, Chemists, Microbiologist & Environmental Scientists

## Objectives:

- Address emerging water quality or regulatory issues
- Evaluate & recommend new technology to enhance operations
- Support operations with technical, functional expertise

## Research Facts:

- More than 150 awards received for superior water quality
- Nearly 80 competitive research grants awarded
- Over \$32M total grant value
- Five US based patents

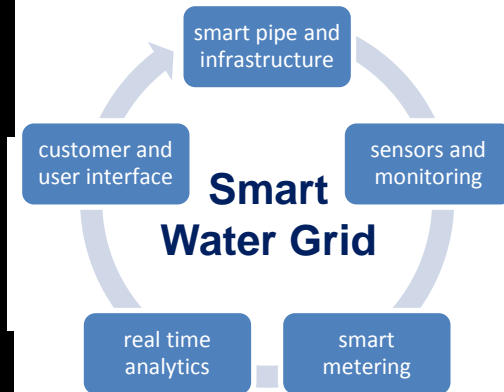
# The Water-Energy Nexus: Challenges and Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> <li>• NPXPRESS</li> <li>• Pressure Management Research</li> <li>• Pump Efficiencies</li> <li>• Demand Side Energy Management</li> </ul>
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> <li>• Smart Water Grid</li> <li>• Saving Water to Save Energy</li> <li>• Resiliency Projects</li> </ul>
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> <li>• One Water Philosophy</li> <li>• Desalination</li> <li>• Recycled Water</li> </ul>
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> <li>• Shale Gas Production</li> </ul>
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> <li>• Enbala</li> <li>• Solar Power</li> <li>• Wind Power Purchases</li> </ul>

Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"



# Our future results are anchored on 5 central themes with customers at the center of all we do



## First Quarter (in Diluted EPS)

	2014	2015
Net Income	\$0.38	\$0.44

Discontinued Operations (\$0.01)

Continuing Operations	\$0.39	\$0.44
-----------------------	--------	--------

Exclude:  
Freedom Industries spill \$0.02

Adjusted EPS*	\$0.41	\$0.44
---------------	--------	--------

+\$0.03  
or 7.3%

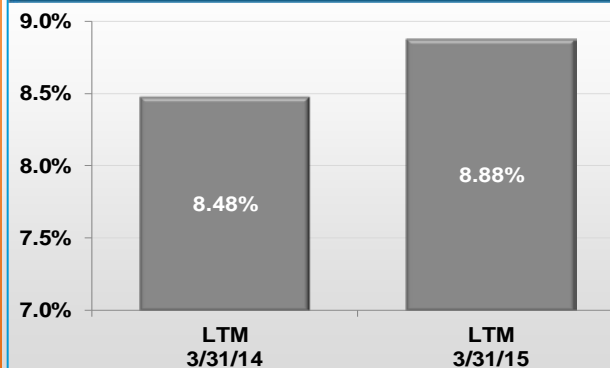
## EPS Contribution By Business Segment (Diluted EPS from Continuing Ops)

	2015
Regulated	\$0.45
Market-Based	\$0.04
Parent Interest & Other	(\$0.05)

Total EPS	\$0.44
-----------	--------

Note: \*Adjusted EPS, Non-GAAP measure

## Adjusted Return on Equity\*\*



Note:

\*\*Adjusted Return on Equity, Non-GAAP measures see appendix for reconciliation

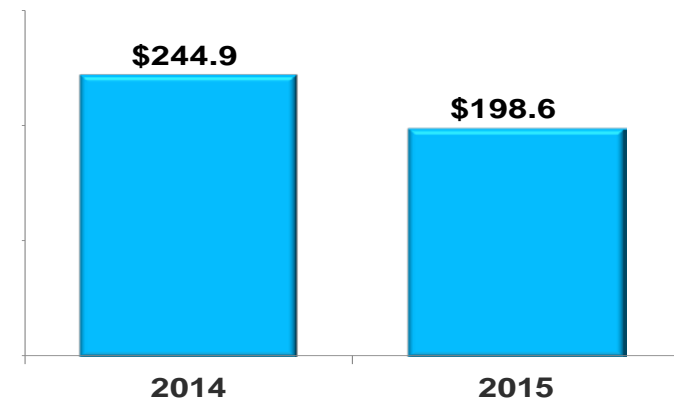


# Summary of First Quarter Results

## Adjusted Diluted EPS from Continuing\*



## Cash Flow From Operations (in millions)



## Capital Investments (in millions)



~10%  
increase in  
quarterly  
Dividends

- Continuing our commitment to increase dividends in line with earnings growth
- Target Payout Ratio of 50 – 60%

\*Adjusted Diluted Earnings Per Share, Non-GAAP measures see slide 27 for reconciliation

June 2015



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Vice President – Investor Relations

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Director – Investor Relations

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Tel: 856-566-4005

Fax: 856-782-2782

**Q2 2015 Earnings Call: August 6, 2015, 9 a.m. ET**

**Analyst Day: Dec. 15, 2015**

**NYSE: AWK**

## Appendix



# Reconciliation Table – Regulated O&M Efficiency Ratio

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Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	FY				
(\$ in thousands)	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

June 2015

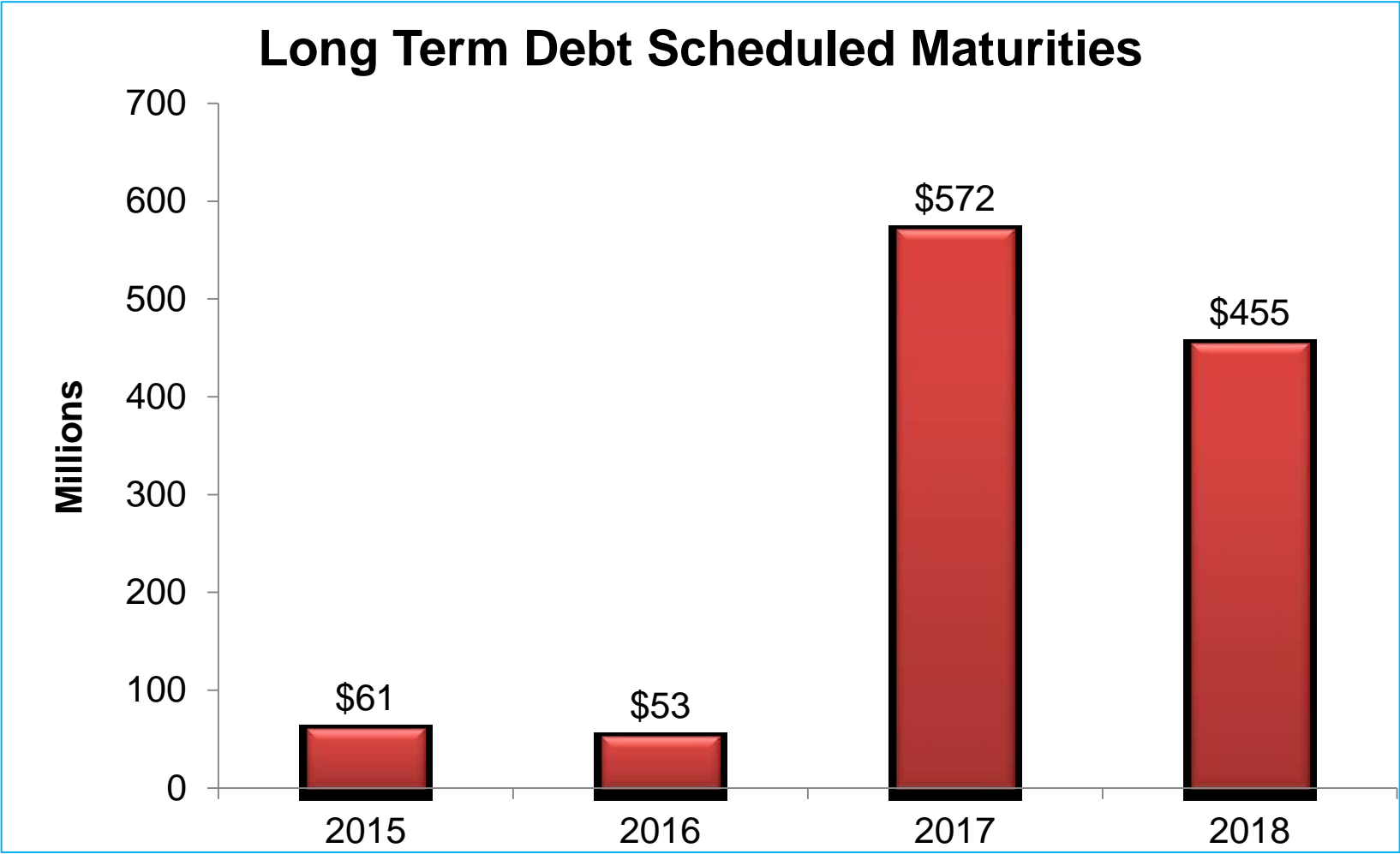
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# Reconciliation Tables: Adjusted Return on Equity

Adjusted Return on Equity		
(A Non-GAAP Unaudited Number)	For the Twelve Months Ended March 31,	
	2015	2014
(\$ in thousands)		
Net income	\$435,028	\$379,744
Adjustments:		
2013 Debt Tender Offer	\$0	\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$3,598	\$3,541
Loss (income) from discontinued operations	\$5,743	\$1,767
<b>Adjusted net income from Continuing Operations</b>	<b>\$444,369</b>	<b>\$409,808</b>
Stockholders' equity	\$4,992,938	\$4,801,087
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$3,598	\$3,541
Loss (income) from discontinued operations	\$5,743	\$1,767
<b>Adjusted stockholders' equity</b>	<b>\$5,002,279</b>	<b>\$4,831,151</b>
<b>Adjusted Return on Equity</b>	<b>8.88%</b>	<b>8.48%</b>



Equity/Total Capitalization	46%	46%	47%	47%
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# West Virginia Update: Independent comments around West Virginia American Water's actions during the Freedom Industries chemical spill

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Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

June 2015

Home News Cops and Courts Sports Opinion Business Food and Livin

Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."

# Regulatory Highlights: Rate Cases Update

Rate Cases Awaiting Final Order		Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base Filed
A. Rate Cases Filed	Kentucky WW	Case No. 2014-00390	11/14/2014	\$0.1	(a)		N/A	N/A
	New Jersey	Docket No. WR15010035	1/9/2015	66.2			10.75%	\$2,405.5
	West Virginia	Case 15 - 0676-W-42T & 15-0675-S-42T	4/30/2015	35.6	(b)		10.75%	540.0
				\$101.9		\$2,945.5		
B. Rate Case Settlement Awaiting Regulatory Approval				\$0.0		\$0.0		
C. Infrastructure Charges Filed	Tennessee (QIIP, EDI & SEC)	Docket No. 14-00121	12/29/2014	\$2.4	(c)			\$19.6
	Missouri (ISRS)	Docket No. WO-2015-0211	2/27/2015	1.9	(d)			17.2
				\$4.3		\$36.8		
Rates Effective since April 1, 2014		Date Effective			Revenue Increase		Comments	
D. Step Increases	New York	4/1/2014		\$1.2				Final Step
	California	Various		1.9	(e)			Final Step
			\$3.1					
E. Infrastructure Charges	New York (SIC)	4/1/2014		\$0.2				
	Tennessee (see note)	4/15/2014		0.5	(f)			
	Missouri (ISRS)	5/30/2014		3.7				
	New Jersey (DSIC)	7/1/2014		7.4				
	Missouri (ISRS)	12/31/2014		9.0				
	New Jersey (DSIC)	1/1/2015		9.4				
	Illinois (QIP)	1/1/2015		5.4	(g)			
	Illinois (QIP)	2/1/2015		1.0				
	Pennsylvania (DSIC – W & WW)	4/1/2015		1.6				
	New York (SIC)	6/1/2015		0.1				
			\$38.3					
F. Rate Cases	Iowa	4/18/2014		\$3.8	(h)			
	Indiana	1/29/2015		5.1				
	California	1/1/2015		5.2	(i)			
	Maryland	4/17/2015		0.5				
			\$14.6					

Note: See next slide in appendix for footnotes













# Regulatory Highlights: Rate Cases Update Footnotes

- (a) Kentucky utilized the Alternative Rate Filing process designed for small utilities to file their case for their wastewater customers. The request for the proposed increase contemplates a two-step increment with the year one increase of 9.73% or \$29k and the second year increase of 10.70% or \$32k for a combined increase of \$61k.
- (b) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.
- (c) Supplemental filing to remove operational expenses related to SEC waste removal project (\$0.2 million), to now be collected under the 2015 PCOP mechanism. The original filing date was October 29, 2014.
- (d) The \$1.9M total includes a prior period undercollection of \$1.7M that the MO PSC is trying to include in the cap total. If they succeed, the amount we will collect from the ISRS is \$0.2M, which will cap us out at 10% for the ISRS.
- (e) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.
- (f) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("EDI") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k.
- (g) Illinois implemented a \$5.4 million infrastructure surcharge, which is \$0.8 million more than the \$4.6 million surcharge originally proposed in its 12/19/2014 filing.
- (h) The annual revenue increase of \$3.8 million from the IAGRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.
- (i) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote d) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.

# Regulated Utilities – Rate Base and Allowed Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

Last Rate Case Awarded - Largest Regulated Subsidiaries										
 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER		
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER		
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	
*Rate Base stated in \$000s										

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

# Reconciliation Table: Closed & Pending Acquisitions

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Acquisitions				
2014 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
IL	1		500	500
IN	2	754		754
KY	1	466	392	858
MO	2	485	442	927
NJ*	1			
NY	2	419	413	832
PA	4	36	618	654
Total	<u>13</u>	<u>2,160</u>	<u>2,365</u>	<u>4,525</u>
Announced Pending Acquisitions**				
(As of May 7, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	3	2,098	253	2,351
IN	2	548		548
MO	3	25	9,150	9,175
NJ	2	4,500	9,800	14,300
PA	4	246	405	651
Total	<u>14</u>	<u>7,417</u>	<u>19,608</u>	<u>27,025</u>

\*NJ American acquired the treatment plant and pump stations but previously had owned the collection systems so no additional customers

\*\*Announced pending defined as awaiting financial close, Municipal and/or Regulatory approval

June 2015

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# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding

**NYSE: AWK**

# Institutional Investor Presentation

**July 2015**



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, timing of the Orlando home warranty protection program launch, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including as related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events, including drought or abnormally high rainfall, strong winds and coastal, intercoastal flooding and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including, concession arrangements and agreements for the provision of water services to facilitate hydraulic fracking in shale regions; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on the company's current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws

NYSE: AWK

## American Water Overview



# American Water: The Premier Water Services Provider in North America

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## Market Statistics\*

- **\$15.2 Billion** Total Enterprise Value
- **780,000** Average Daily Trading Volume
- **\$9.2 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
  - 89% Regulated, 11% Market Based
- **7.9%** Total Shareholder Return for Last 12 Months
- **2.7%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,400** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

\* Market data as of July 13, 2015, Source : FactSet

July 2015



# Why American Water is the right investment for you

**AWK**  
**LISTED**  
**NYSE**

- Industry Leading projected **7-10%** Long Term EPS Growth with **0.8** Beta\*
- **8%** Dividend Growth rate Top Quartile in Utilities\*\*
- Operational Excellence Minimizes Bill Increases projected **2%** on an average
- Commitment to Innovation & Environmental Stewardship, over **600** technologies examined

\*Source : Factset 5 Yr Beta (Adjusted)

\*\*Source: Factset , Top quartile dividend paid CAGR, Time Period: 2010 – 2014

Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , CTWS , CWT , MSEX , SJW , WTR , YORW  
 July 2015

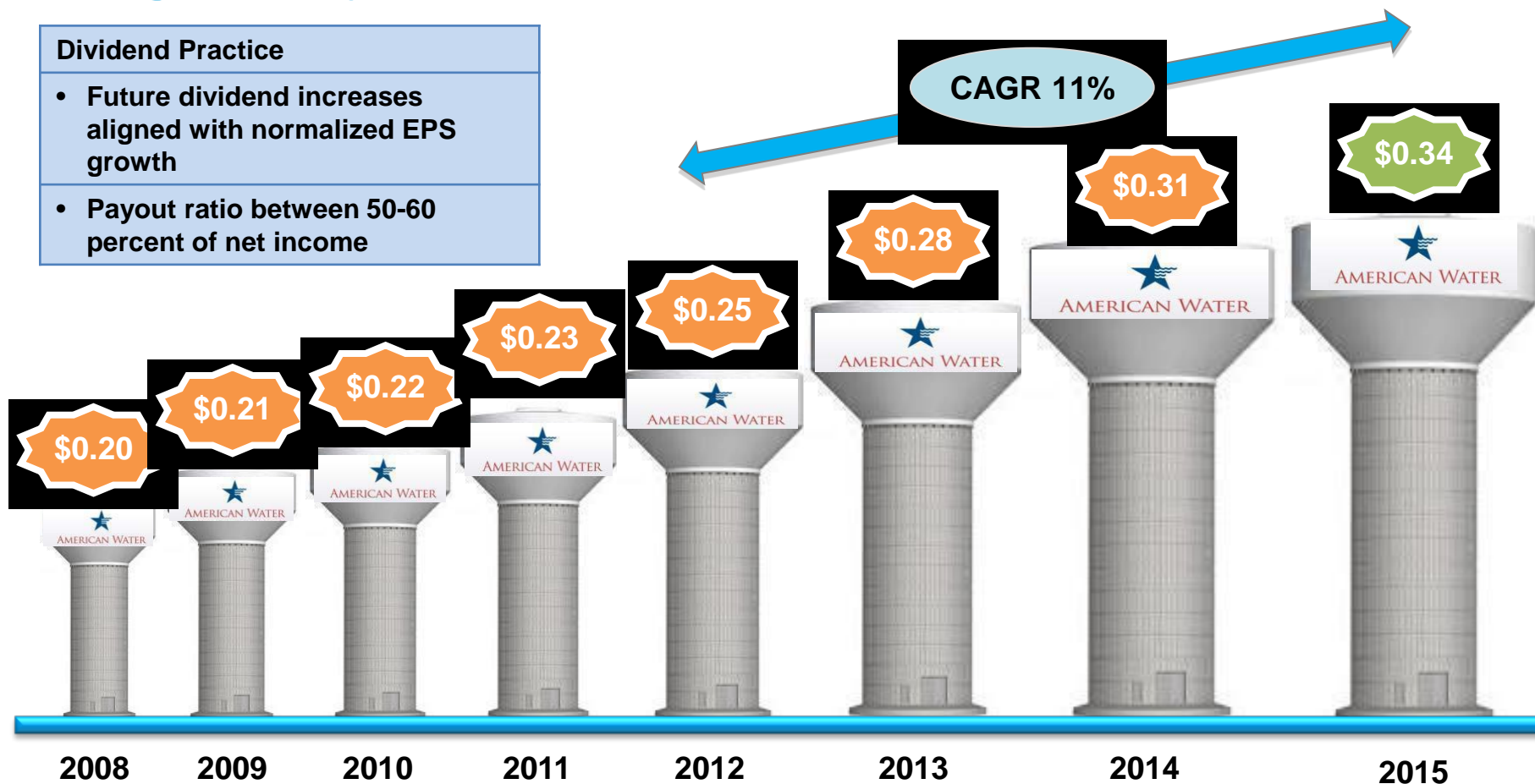
# Long History of Consistent Dividend Growth

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## Dividend Practice

- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income



**Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers\***

\* Source: Factset: Time Period: 2010 – 2014 Dividend Paid CAGR

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, CTWS, CWT, MSEX, SJW, WTR, YORW.

July 2015

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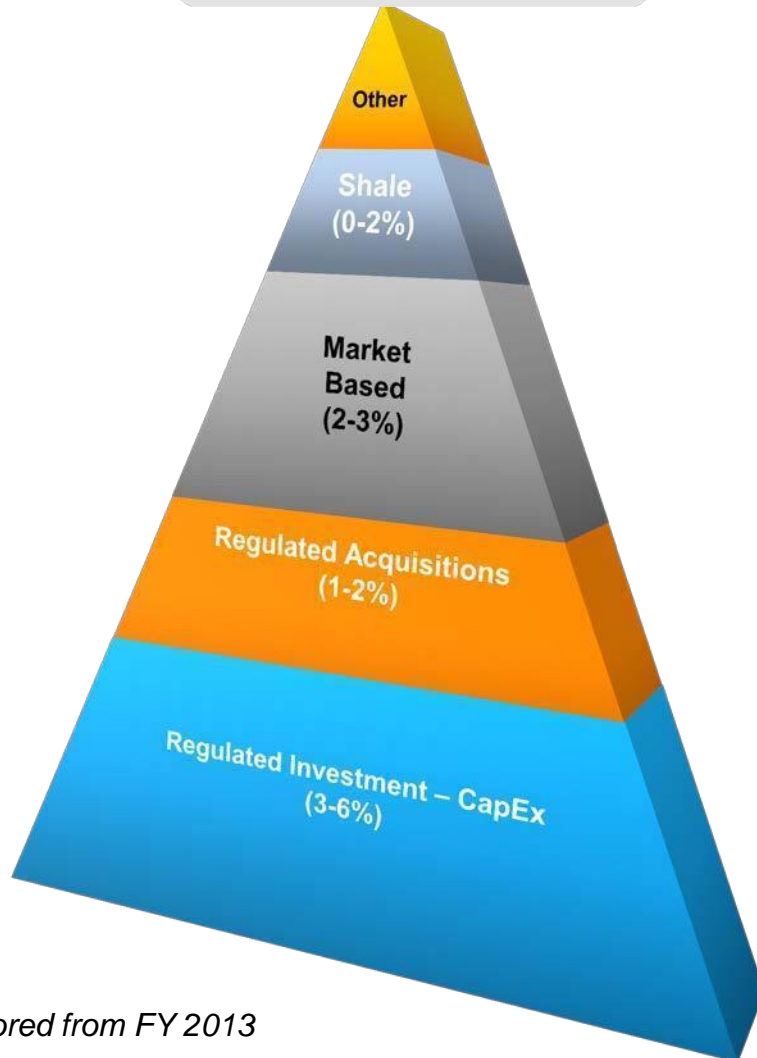
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# Our Future: Our commitment over the next 5 years

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## 2015 - 2019 Plan



- Industry Leading **7-10%**  
Long Term EPS Growth\*
- \$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

\*Anchored from FY 2013

July 2015

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## 2014 Water Quality Report

- **15x** better than the industry average for compliance with drinking water quality standards
- **20x** better than the industry average for meeting all drinking water requirements



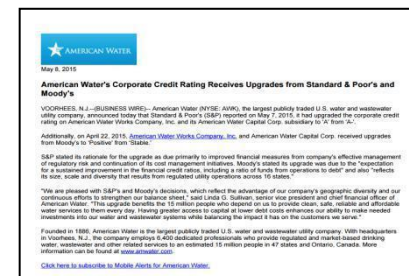
## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Rating Upgrade

- Standard & Poor's (S&P) reported on May 7, 2015, it had upgraded American Water's corporate credit rating to 'A' from 'A-'
- Additionally, on April 22, 2015, the company received upgrades from Moody's to 'Positive' from 'Stable.'



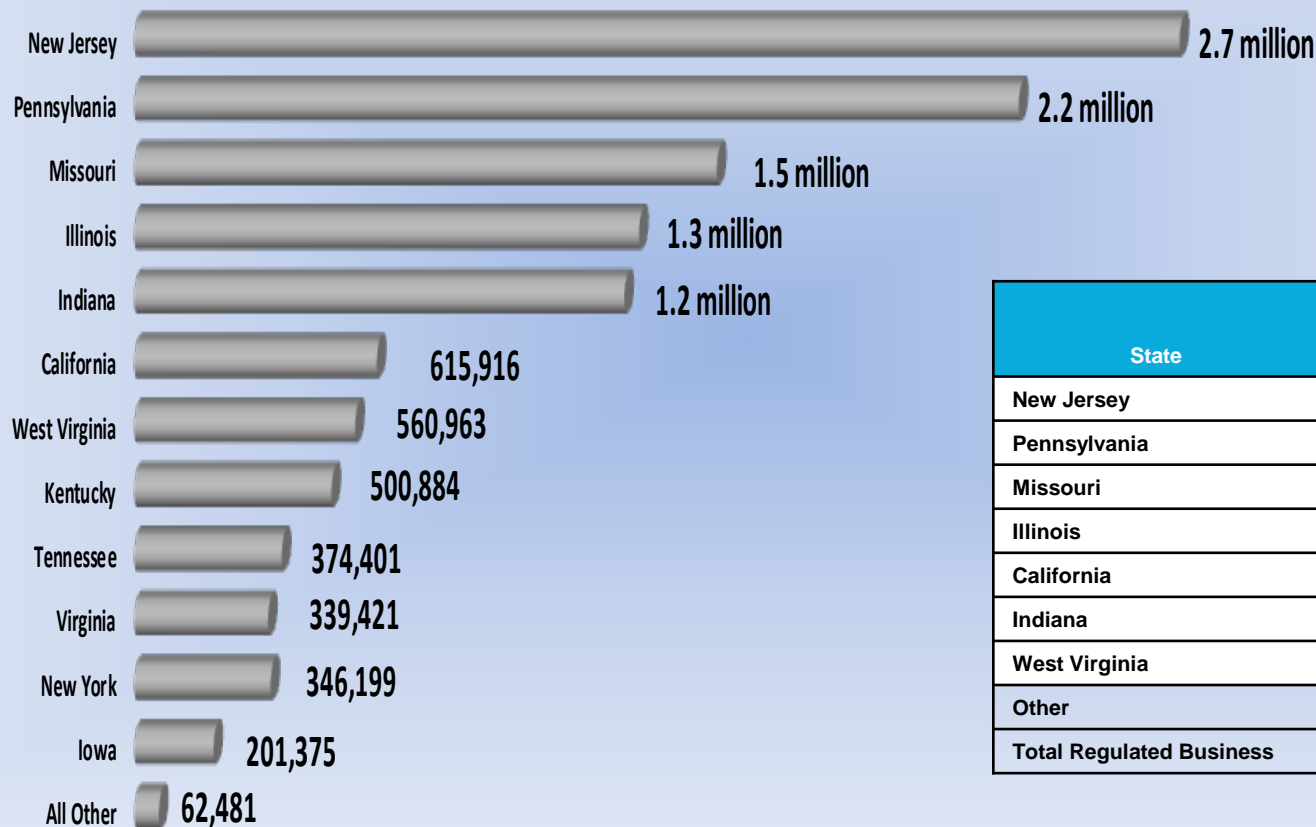
**NYSE: AWK**

## Our Regulated Business



## States Where We Operate

(approximate population served by state )\*

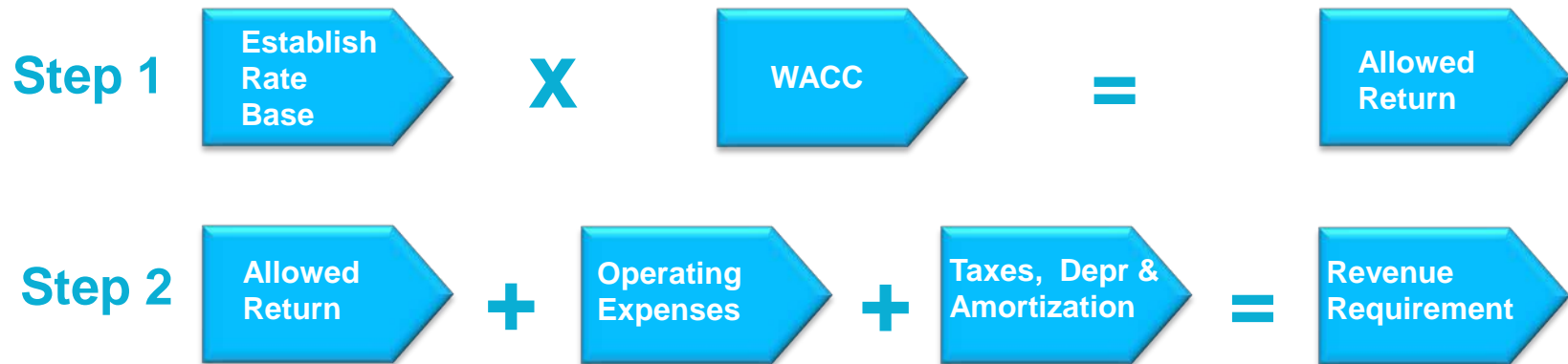


State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
<b>Total Regulated Business</b>	<b>\$2,674.3</b>	<b>100%</b>

\* Population data for FY 2014

# The Rate of Return Regulation in the United States

Prudent Investment Drives Need for Rate Cases



American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks



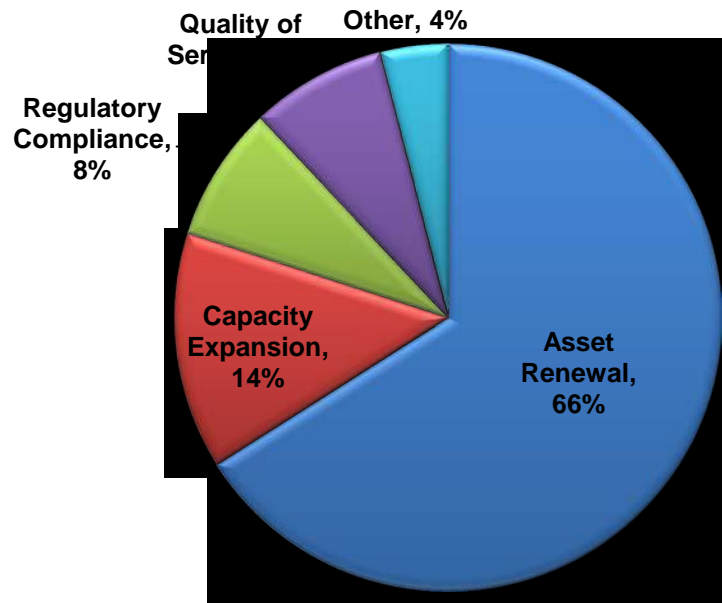
# Investment in Water and Wastewater Industry is urgently needed

- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

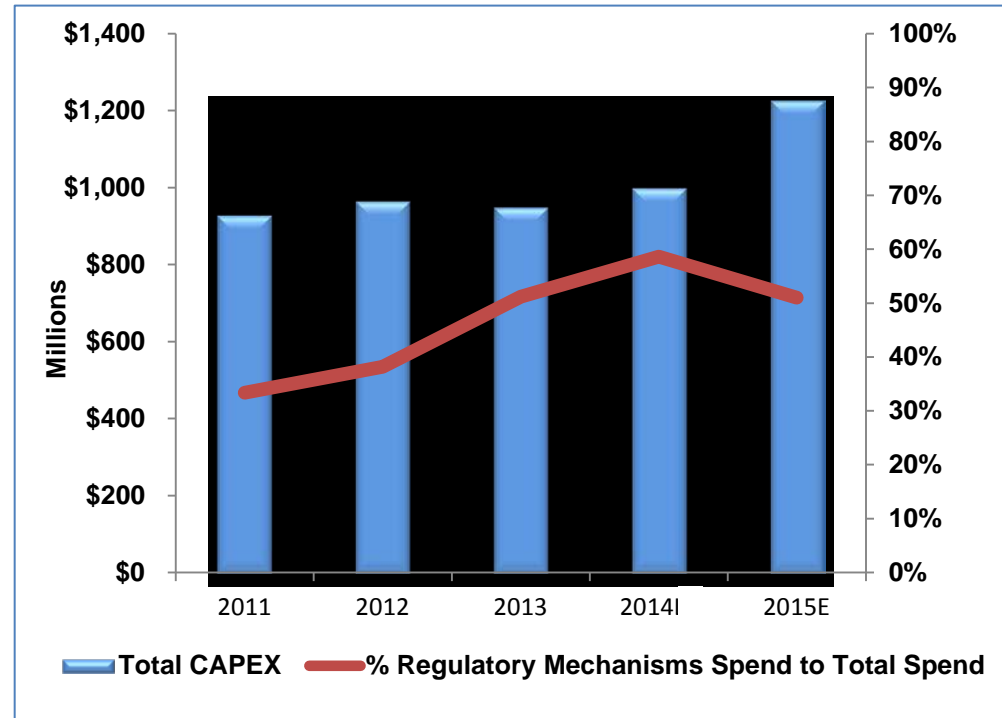


# Regulatory Capital Investment of \$5.2 billion over next five years

2015 – 2019 Average Capital Expenditures by Purpose



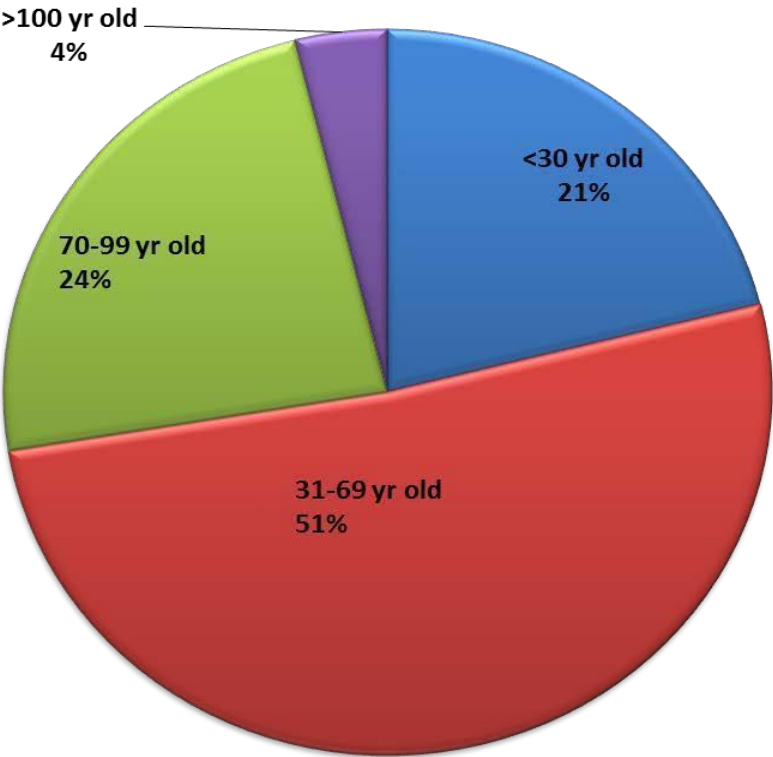
Investments covered by Regulatory Mechanisms



Note

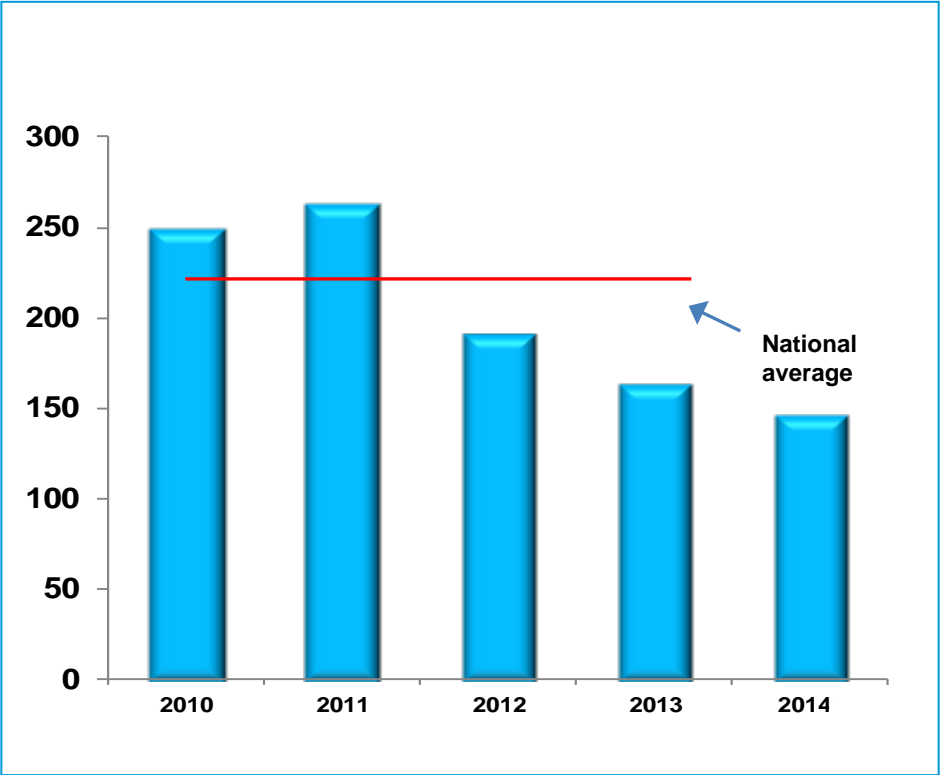
(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years

Pipe Age Distribution – AW System



Over 25% pipes are 70 years or old

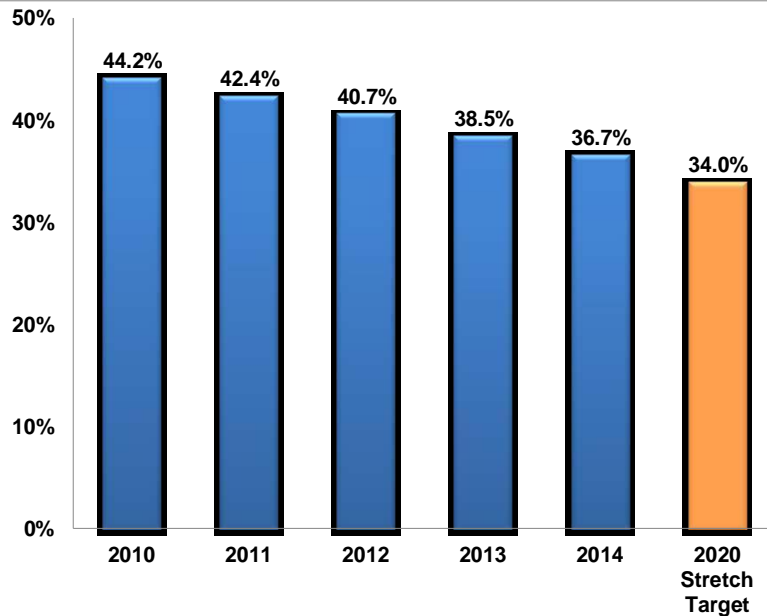
American Water Pipe Replacement Rate  
(in years)



Pipe Replacement rate is shortening

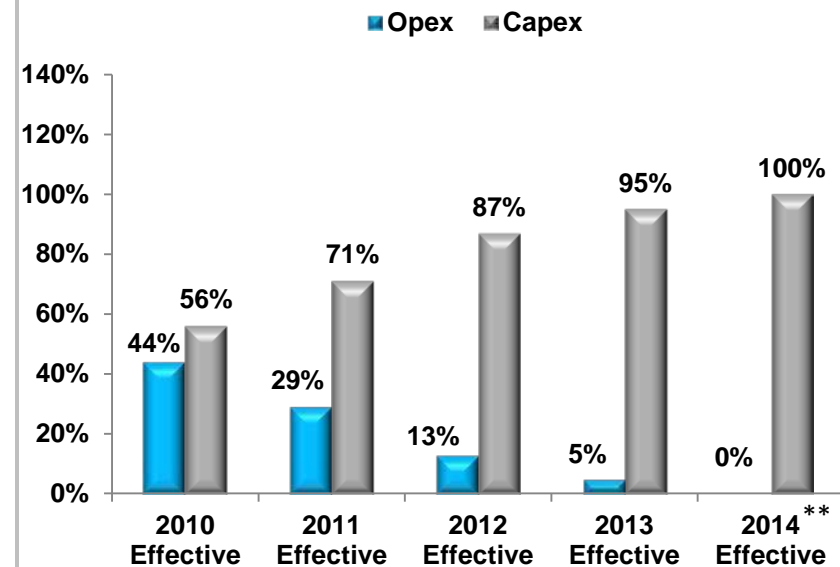
# Our Disciplined Approach to Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:

- \* Approximation in states where we received black box award
- \*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

## Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
<b>NJ</b>	<b>x</b>		<b>x</b>	<b>x</b>		<b>x</b>
<b>PA</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x<sup>(3)</sup></b>
<b>MO</b>	<b>x</b>		<b>x</b>	<b>x</b>		<b>x<sup>(3)</sup></b>
<b>IL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>IN</b>	<b>x</b>	<b>x</b>		<b>x</b>		<b>x<sup>(3)</sup></b>
<b>WV</b>				<b>x</b>		
<b>CA</b>		<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>
<b>KY</b>		<b>x</b>		<b>x</b>	<b>x</b>	
<b>NY</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x<sup>(2)</sup></b>	<b>x</b>
<b>TN</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x<sup>(3)</sup></b>
<b>VA</b>	<b>x<sup>(4)</sup></b>	<b>x</b>	<b>x</b>		<b>x</b>	
<b>IA</b>				<b>x</b>		
<b>HI</b>		<b>x</b>				
<b>MD</b>			<b>x</b>	<b>x</b>		<b>x</b>

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/ Waste Water Infrastructure Surcharge (A DSIC mechanism).

July 2015

# Our role in California

## Investing in Future of Water

- Total capital Investment ~\$300 million
- Desalination Plant : 6.4 or 9.6 MGD
- Heated Metal Oxide Particles (HMOPs)
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery



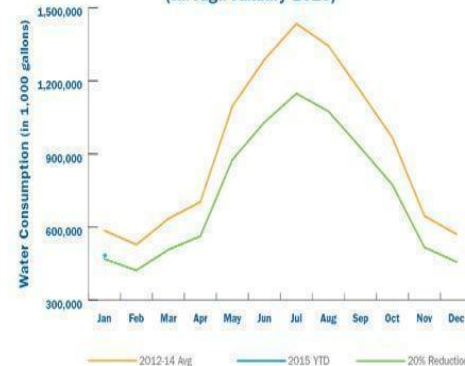
## Leading with Conservation

- Record drought, 25% mandatory statewide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
  - AMI Pilot in Monterey, monitor daily water consumption
  - Customers can sign up for text or email alert
- Usage decoupled from revenues

## CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

### Customer Conservation Progress Current Consumption vs. 20% Reduction (through January 2015)



Conservation  
**GOAL: 20%**

Actual conservation:  
**17%**  
for Jan 2015

Water Waste Reports  
Received:

January: **6**  
Year to Date: **6**

July 2015

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## Our Market-Based Business



# Market based businesses generate complementary opportunities for growth

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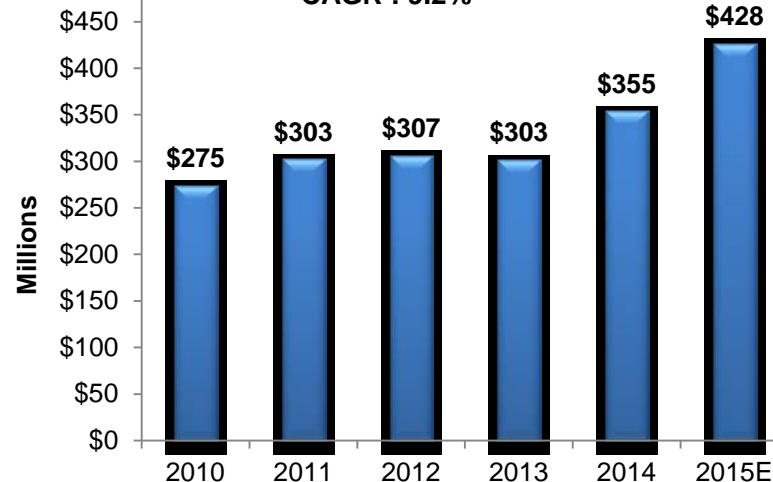
## Lines of Business

- Homeowner Services (HOS)
- Contract Operations
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

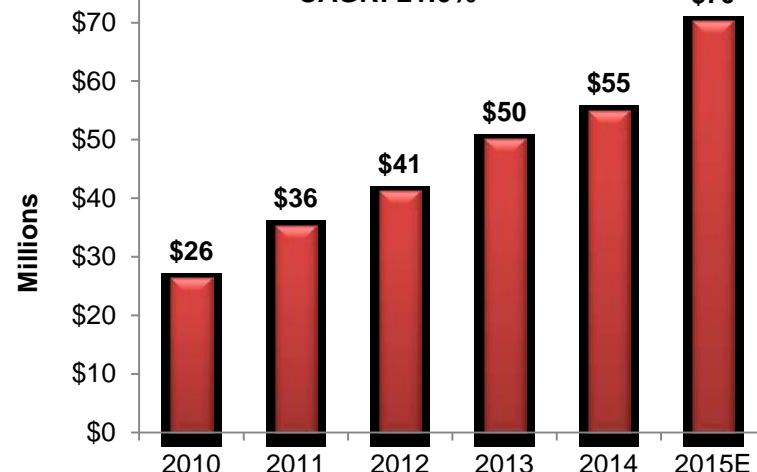
## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets

## Revenues CAGR : 9.2%



## Operating Income CAGR: 21.6%

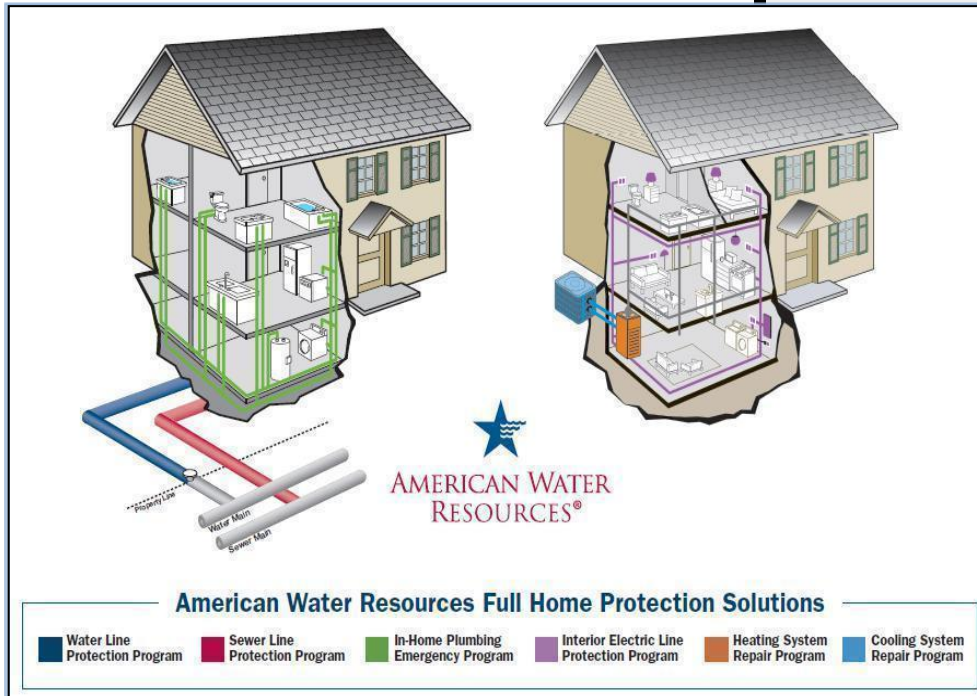


Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

July 2015



# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***



# Military Services: Overall Growth Strategy

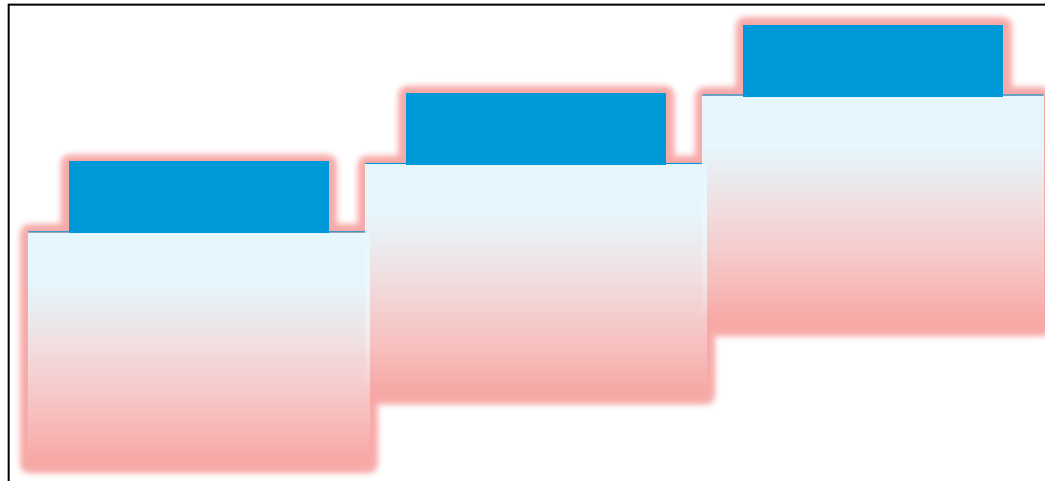
## Add New Customers

### Current Bases

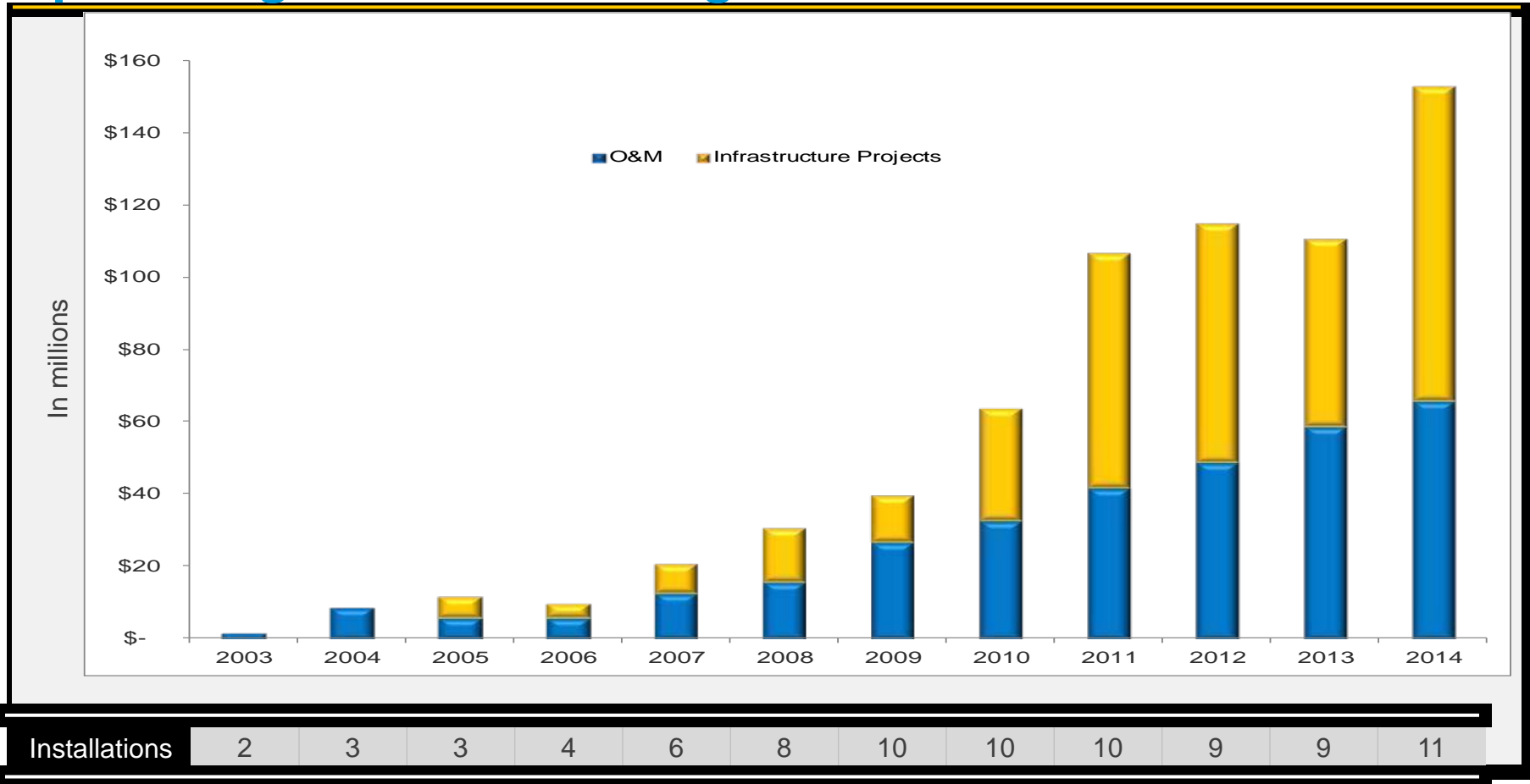
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Leavenworth (39 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)

## Optimize Existing Bases

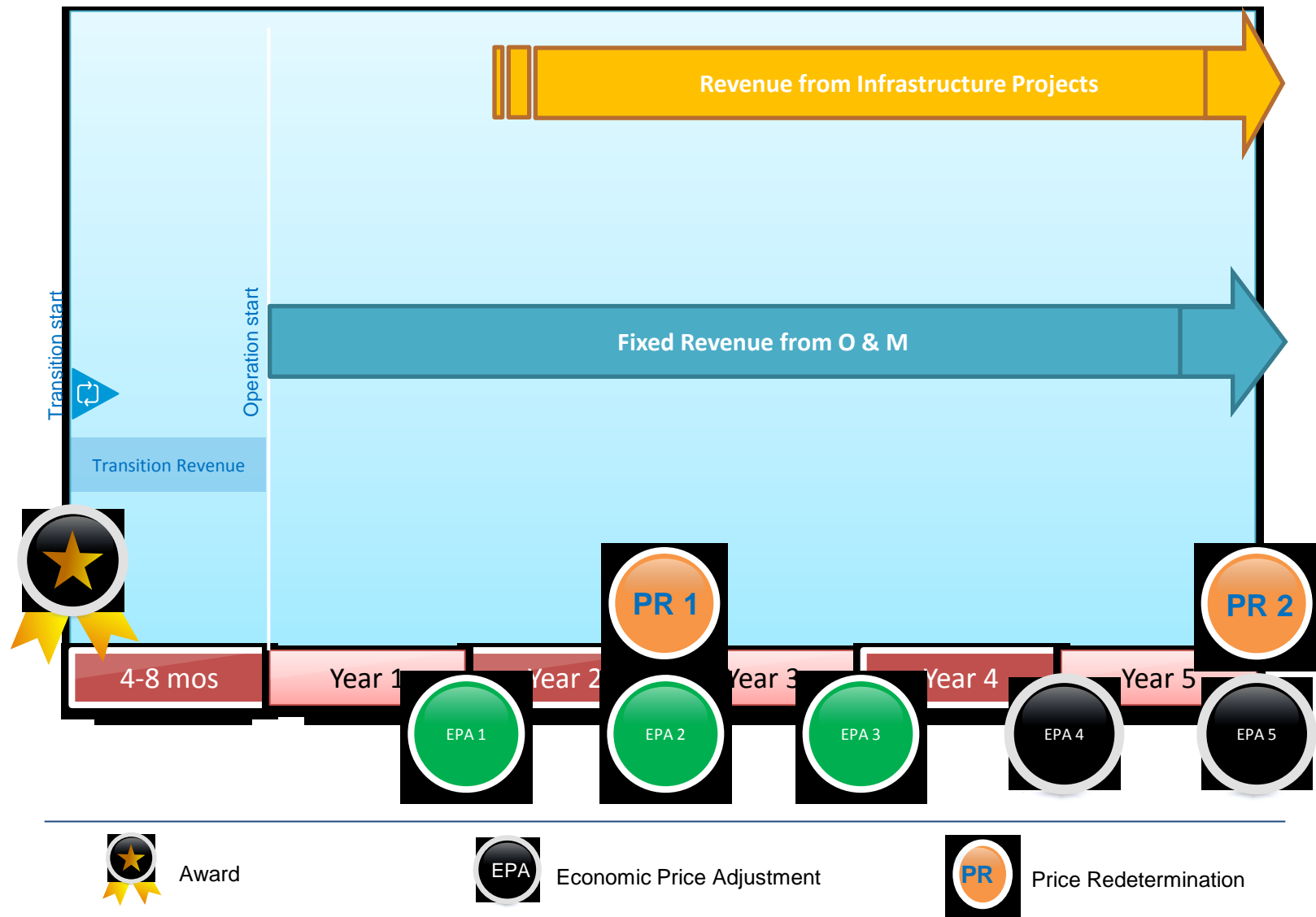
1. Price Redeterminations
2. Infrastructure Modifications

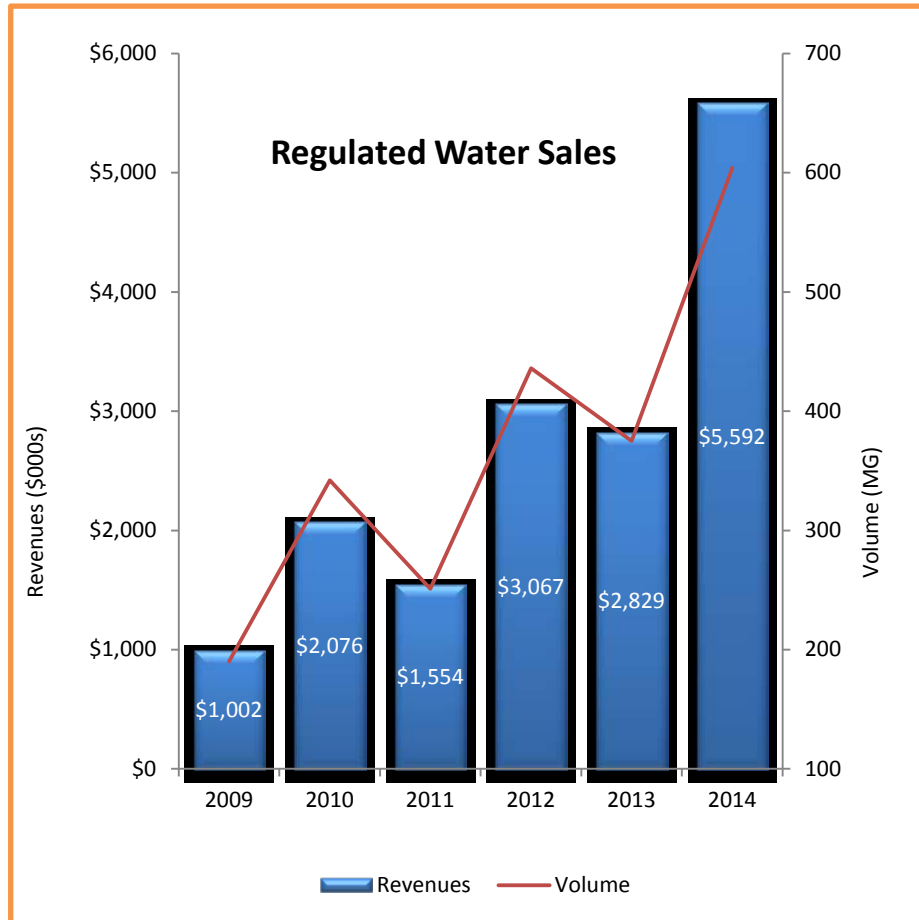


# Military Services : Growth by Adding New Bases and Optimizing Value at Existing Bases



# Military Services : Typical Revenue – First 5 years of Contract





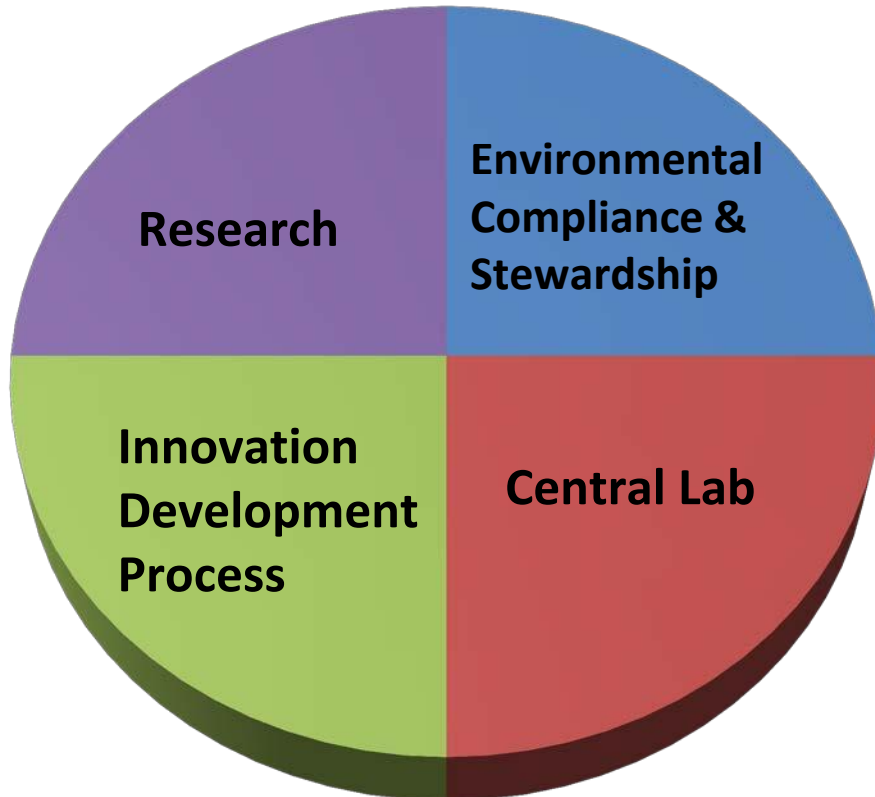
## Market Overview:

- Dynamic environment
- Reduction in 2015 Capex by E&P's
- Maintaining production volumes in 2015 due to previous commitments

## AWK Opportunities (0-2% EPS)

- Marcellus & Utica are least impacted (Lower cost)
- With reductions in E&P Capex, opportunities for deploying our capital
- Evaluating sustainable produced water treatment options

# INNOVATION AND ENVIRONMENTAL STEWARDSHIP



## Interdisciplinary team of 40 people:

- Engineers, Chemists, Microbiologist & Environmental Scientists

## Objectives:

- Address emerging water quality or regulatory issues
- Evaluate & recommend new technology to enhance operations
- Support operations with technical, functional expertise

## Research Facts:

- More than 150 awards received for superior water quality
- Nearly 80 competitive research grants awarded
- Over \$32M total grant value
- Five US based patents

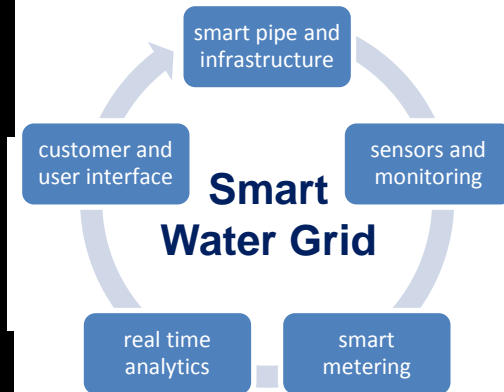
# The Water-Energy Nexus: Challenges and Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> <li>• NPXPRESS</li> <li>• Pressure Management Research</li> <li>• Pump Efficiencies</li> <li>• Demand Side Energy Management</li> </ul>
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> <li>• Smart Water Grid</li> <li>• Saving Water to Save Energy</li> <li>• Resiliency Projects</li> </ul>
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> <li>• One Water Philosophy</li> <li>• Desalination</li> <li>• Recycled Water</li> </ul>
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> <li>• Shale Gas Production</li> </ul>
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> <li>• Enbala</li> <li>• Solar Power</li> <li>• Wind Power Purchases</li> </ul>

Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"



# Our future results are anchored on 5 central themes with customers at the center of all we do



## First Quarter (in Diluted EPS)

	2014	2015
Net Income	\$0.38	\$0.44

Discontinued Operations (\$0.01)

Continuing Operations	\$0.39	\$0.44
-----------------------	--------	--------

Exclude:  
Freedom Industries spill \$0.02

Adjusted EPS*	\$0.41	\$0.44
---------------	--------	--------

+\$0.03  
or 7.3%

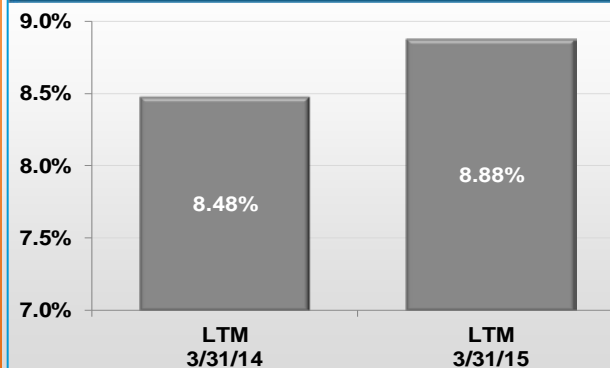
## EPS Contribution By Business Segment (Diluted EPS from Continuing Ops)

	2015
Regulated	\$0.45
Market-Based	\$0.04
Parent Interest & Other	(\$0.05)

Total EPS	\$0.44
-----------	--------

Note: \*Adjusted EPS, Non-GAAP measure

## Adjusted Return on Equity\*\*



Note:

\*\*Adjusted Return on Equity, Non-GAAP measures see appendix for reconciliation

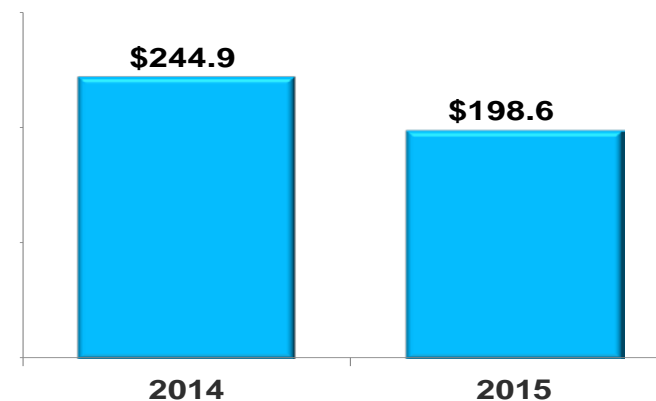


# Summary of First Quarter Results

## Adjusted Diluted EPS from Continuing\*



## Cash Flow From Operations (in millions)



## Capital Investments (in millions)

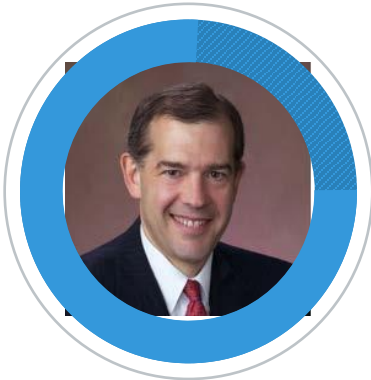


~10%  
increase in  
quarterly  
Dividends

- Continuing our commitment to increase dividends in line with earnings growth
- Target Payout Ratio of 50 – 60%

\*Adjusted Diluted Earnings Per Share, Non-GAAP measures see slide 27 for reconciliation

July 2015



**Greg Panagos**

Vice President – Investor Relations

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**AWK  
LISTED  
NYSE**



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Director – Investor Relations

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Tel: 856-566-4005

Fax: 856-782-2782

**Q2 2015 Earnings Call: August 6, 2015, 9 a.m. ET**

**Analyst Day: Dec. 15, 2015**

**NYSE: AWK**

## Appendix



# Reconciliation Table – Regulated O&M Efficiency Ratio

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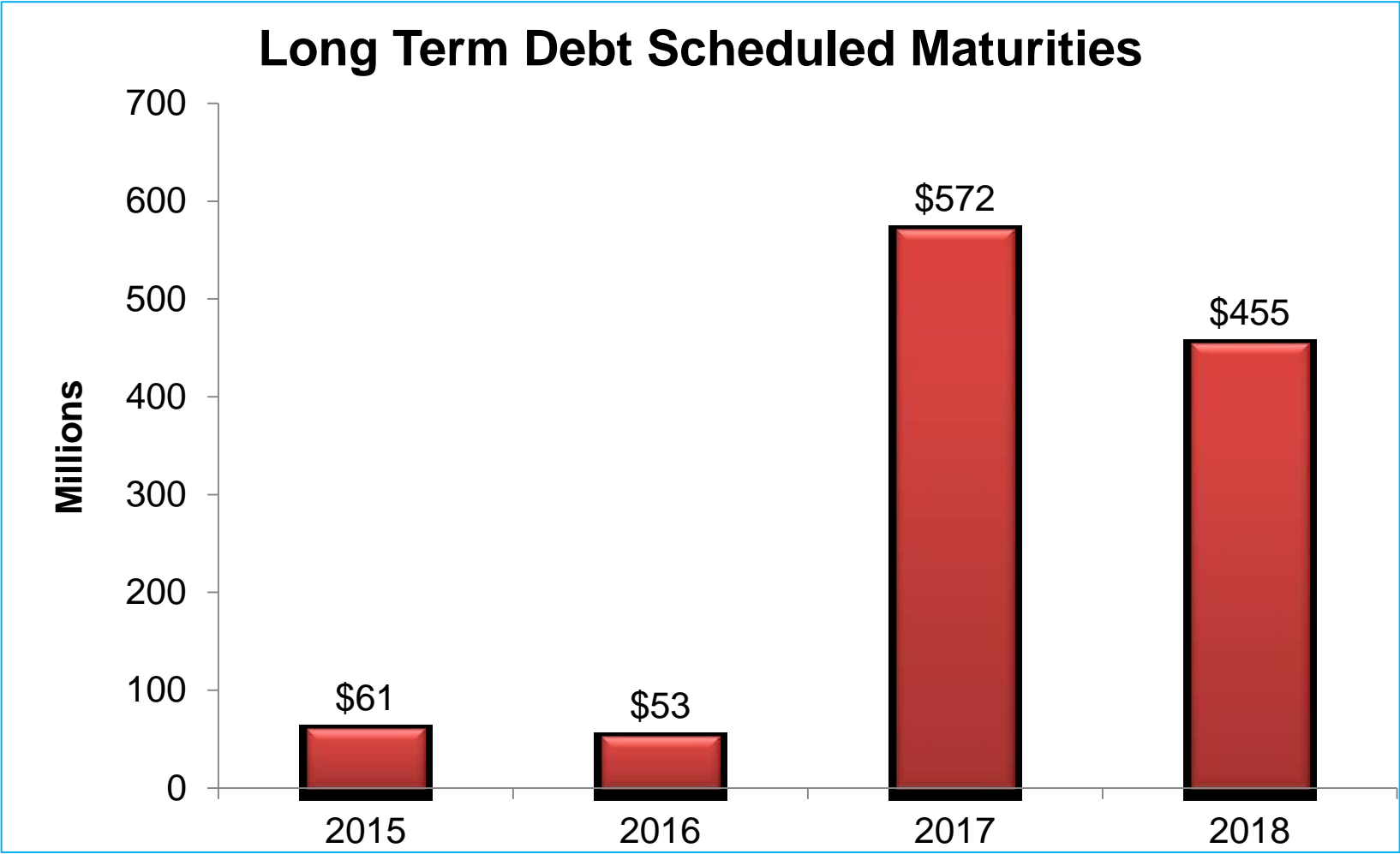
Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	FY				
(\$ in thousands)	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

July 2015

# Reconciliation Tables: Adjusted Return on Equity

Adjusted Return on Equity		
(A Non-GAAP Unaudited Number)	For the Twelve Months Ended March 31,	
	2015	2014
(\$ in thousands)		
Net income	\$435,028	\$379,744
Adjustments:		
2013 Debt Tender Offer	\$0	\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$3,598	\$3,541
Loss (income) from discontinued operations	\$5,743	\$1,767
<b>Adjusted net income from Continuing Operations</b>	<b>\$444,369</b>	<b>\$409,808</b>
Stockholders' equity	\$4,992,938	\$4,801,087
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$3,598	\$3,541
Loss (income) from discontinued operations	\$5,743	\$1,767
<b>Adjusted stockholders' equity</b>	<b>\$5,002,279</b>	<b>\$4,831,151</b>
<b>Adjusted Return on Equity</b>	<b>8.88%</b>	<b>8.48%</b>



Equity/Total Capitalization	46%	46%	47%	47%
-----------------------------	-----	-----	-----	-----

# West Virginia Update: Independent comments around West Virginia American Water's actions during the Freedom Industries chemical spill

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Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

July 2015

Home News Cops and Courts Sports Opinion Business Food and Livin

Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."

# Regulatory Highlights: Rate Cases Update

Rate Cases Awaiting Final Order		Company	Docket / Case Number	Date Filed	Revenue Increase	ROE Requested	Rate Base Filed
A. Rate Cases Filed	New Jersey	Docket No. WR15010035	1/9/2015	\$66.2	(a)	10.75%	\$2,405.5
	West Virginia	Case 15 - 0676-W-42T & 15-0675-S-42T	4/30/2015	35.6		10.75%	540.0
					\$101.8		\$2,945.5
B. Rate Case Settlement Awaiting Regulatory Approval					\$0.0		\$0.0
C. Infrastructure Charges Filed					\$0.0		\$0.0
Rates Effective since April 1, 2014		Date Effective		Revenue Increase		Comments	
D. Step Increases	New York	4/1/2014		\$1.2	(b)	Final Step	
	California	Various		1.9		Final Step	
					\$3.1		
E. Infrastructure Charges	New York (SIC)	4/1/2014		\$0.2	(c)		
	Tennessee (see note)	4/15/2014		0.5			
	Missouri (ISRS)	5/30/2014		3.7			
	New Jersey (DSIC)	7/1/2014		7.4			
	Missouri (ISRS)	12/31/2014		9.0			
	New Jersey (DSIC)	1/1/2015		9.4			
	Illinois (QIP)	1/1/2015		4.9			
	Illinois (QIP)	2/1/2015		1.0			
	Pennsylvania (DSIC – W & WW)	4/1/2015		1.6			
	New York (SIC)	6/1/2015		0.1			
	Missouri (ISRS)	6/27/2015		1.9			
	Pennsylvania (DSIC - W & WW)	7/1/2015		4.6			
	Tennessee (QIIP, EDI & SEC)	6/30/2015		2.2			
					\$46.5		
F. Rate Cases	Iowa	4/18/2014		\$3.8	(d)		
	Indiana	1/29/2015		5.1	(e)		
	California	1/1/2015		5.2			
	Maryland	6/19/2015		0.5			
	Kentucky WW	7/2/2015		0.2	(f)		
					\$14.8		

Note: See next slide in appendix for footnotes

July 2015













# Regulatory Highlights: Rate Cases Update Footnotes

- (a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.
- (b) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.
- (c) On April 15, 2015 TN received approval for a Qualified Infrastructure Investment Program Rider (QIIP) for \$373k, an Economic Development Investment Rider ("EDI") for \$85K and a Safety and Environmental Compliance Rider ("SEC") for \$53k, totaling \$511k.
- (d) The annual revenue increase of \$3.8 million from the IAGRC includes \$2.7 million for interim rates that were effective May 10, 2013. New rates approved by the IUB 4/18/14.
- (e) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote d) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.
- (f) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year.

# Regulated Utilities – Rate Base and Allowed Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER		
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER		
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

# Reconciliation Table: Closed & Pending Acquisitions

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Acquisitions				
2014 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
IL	1		500	500
IN	2	754		754
KY	1	466	392	858
MO	2	485	442	927
NJ*	1			
NY	2	419	413	832
PA	4	36	618	654
Total	<u>13</u>	<u>2,160</u>	<u>2,365</u>	<u>4,525</u>
Announced Pending Acquisitions**				
(As of May 7, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	3	2,098	253	2,351
IN	2	548		548
MO	3	25	9,150	9,175
NJ	2	4,500	9,800	14,300
PA	4	246	405	651
Total	<u>14</u>	<u>7,417</u>	<u>19,608</u>	<u>27,025</u>

\*NJ American acquired the treatment plant and pump stations but previously had owned the collection systems so no additional customers

\*\*Announced pending defined as awaiting financial close, Municipal and/or Regulatory approval

July 2015

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# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

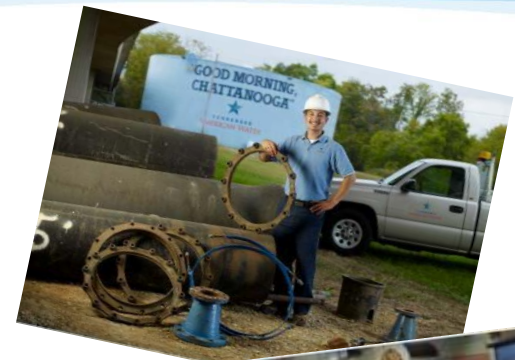
Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding

NYSE: AWK

## 2015 Second-Quarter Earnings Conference Call

August 6, 2015



NYSE: AWK



**Greg Panagos**  
**Vice President of Investor Relations**



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.



NYSE: AWK



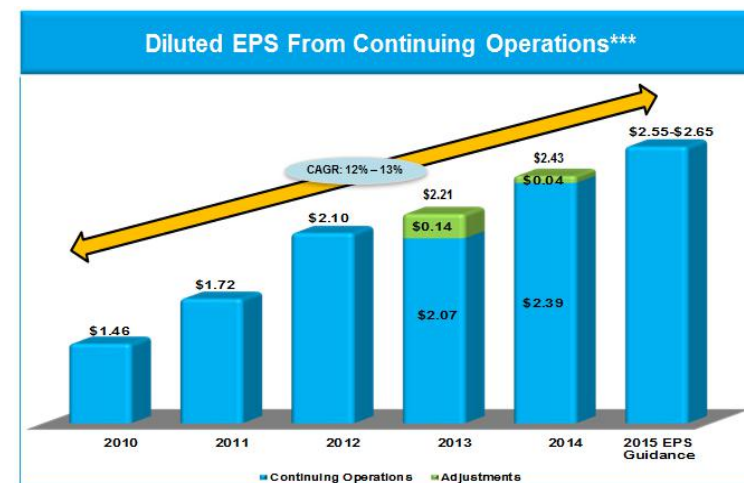
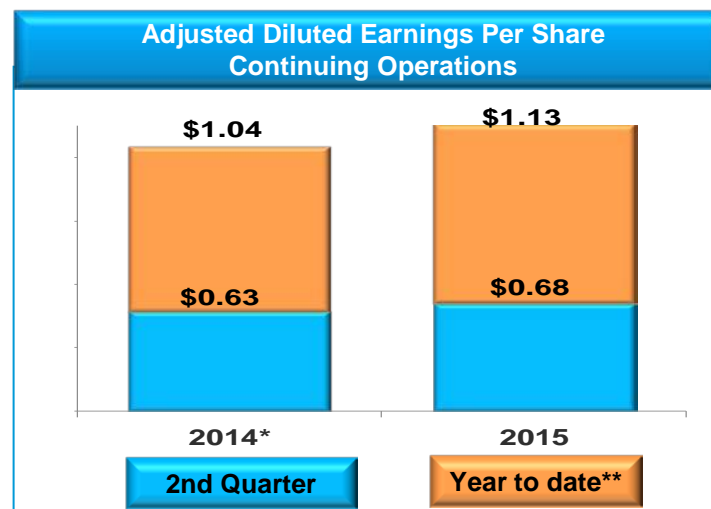
**Susan Story**  
**President and Chief Executive Officer**





# Solid 2015 Second Quarter Results

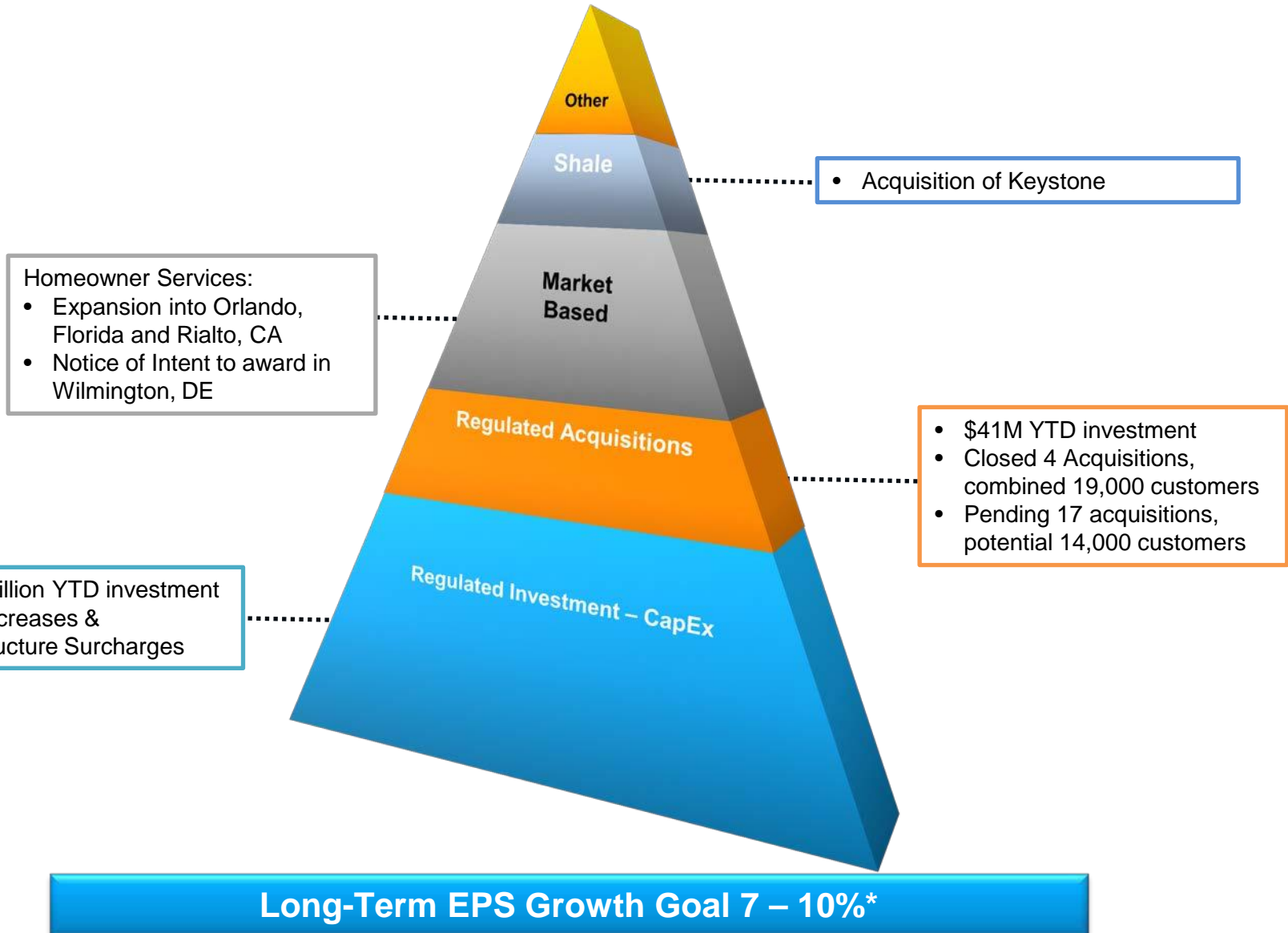
- ✓ Solid, Consistent Financial Performance
- ✓ On Track With Execution Of Our Strategies
- ✓ Growth Through Acquisitions
- ✓ Reaffirming 2015 Guidance



Note: \*Reported 2014 Q2 EPS of \$0.61 and YTD EPS of \$ 1.00 were adjusted by \$0.02 in Q2 2014, and \$0.04 YTD, respectively, for the impact of Freedom Industries' chemical spill in WV  
 \*\* Throughout this presentation Year To Date (YTD) refers to six months ended June 30, 2014 or six months ended June 30, 2015 as applicable  
 \*\*\* Adjusted Diluted EPS- Non-GAAP measure – See appendix for reconciliation

August 2015

# 2015: On Track With Execution Of Our Strategy



\*2015 – 2019 EPS growth goal of 7-10% anchored from FY 2013 adjusted for Debt Tender Offer

August 2015

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**Walter Lynch**  
**President and Chief Operating Officer**  
**Regulated Operations**





## Drought Update:

- State mandated overall reduction of 25%
- All districts but one exceeding their goals year to date

## Water Revenue Adjustment Mechanism (WRAM) Filing\*:

- Requested 20 year rate recovery in Monterey to address customer bill impacts



## Missouri American Water rate case filing: Requested \$25.2 million increase

- \$436.2 million in infrastructure investments since beginning of 2012
- O&M expenses decreased by \$7.1 million since 2010
- Typical rate process takes no more than 11 months to complete



## Weather Update:

- Q2 dry weather in the Northeast offset wet weather in the Midwest
- Wet July with above normal rainfall across most of our states

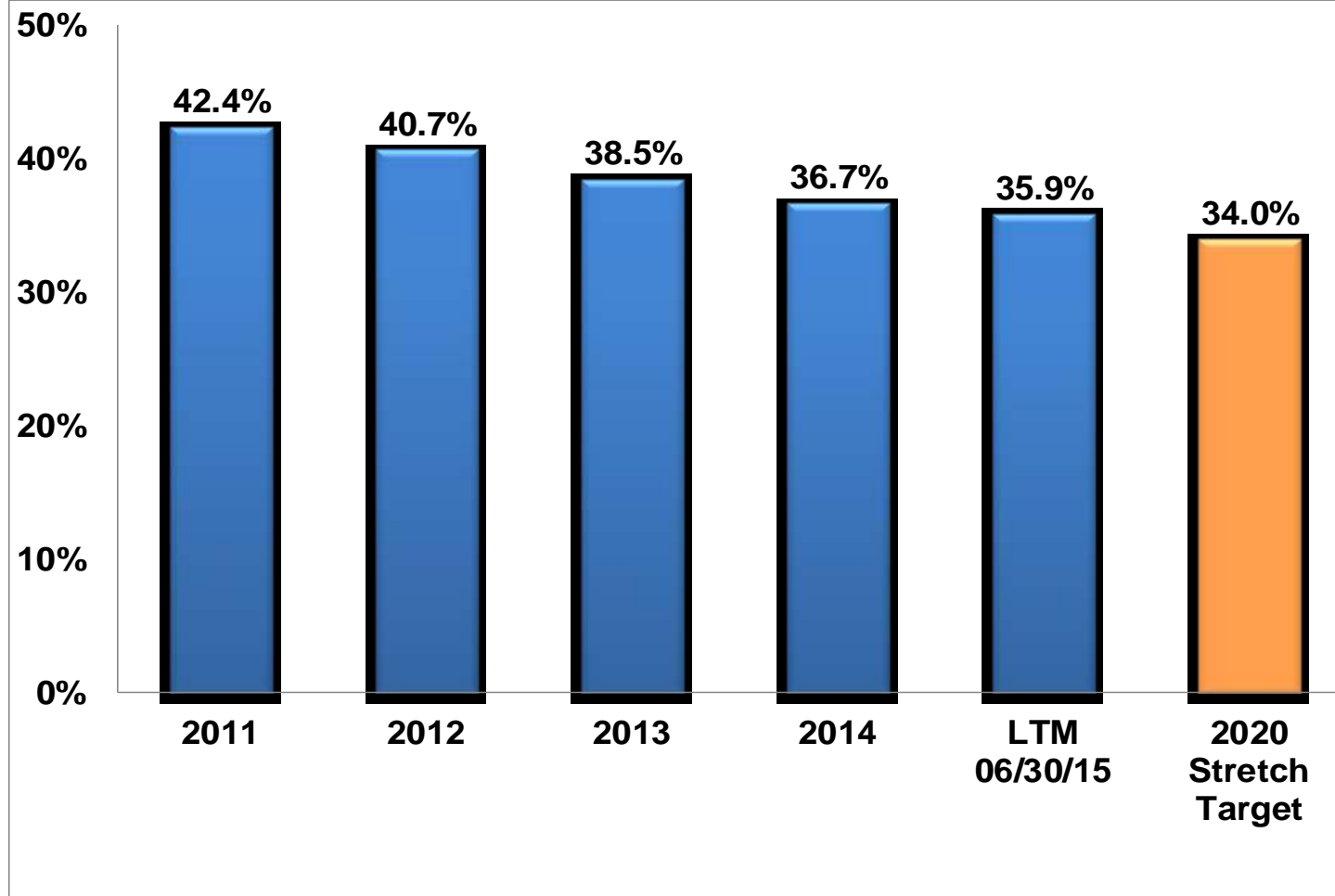
\* Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Accounts (MCBA) Filing

# On Track To Hit 34% Stretch Target By 2020

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## O&M Efficiency Ratio



Note:  
O&M Efficiency Ratio – Non-GAAP measure – See appendix for reconciliation

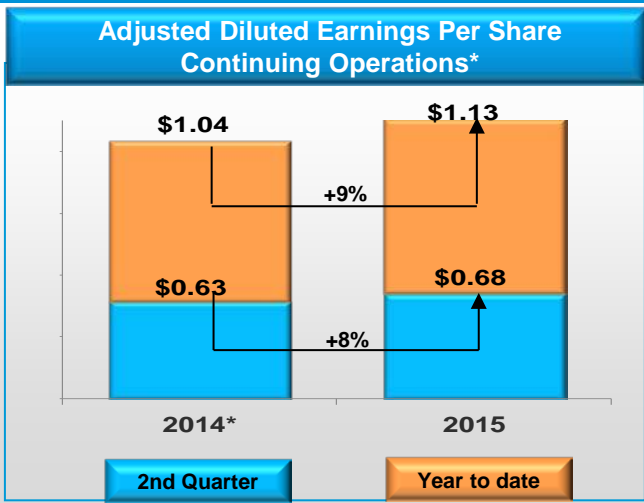
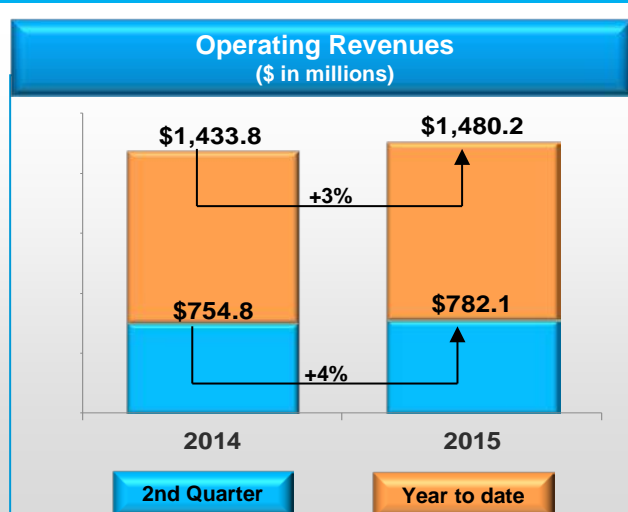
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**Linda Sullivan**  
**Senior Vice President**  
**and Chief Financial Officer**





## Second Quarter EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

**2015**

Regulated Segment	\$0.68
Market-Based Segment	\$0.06
Other (Includes Parent interest & other)	(\$0.06)

**Total EPS** \$0.68

## Year To Date EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

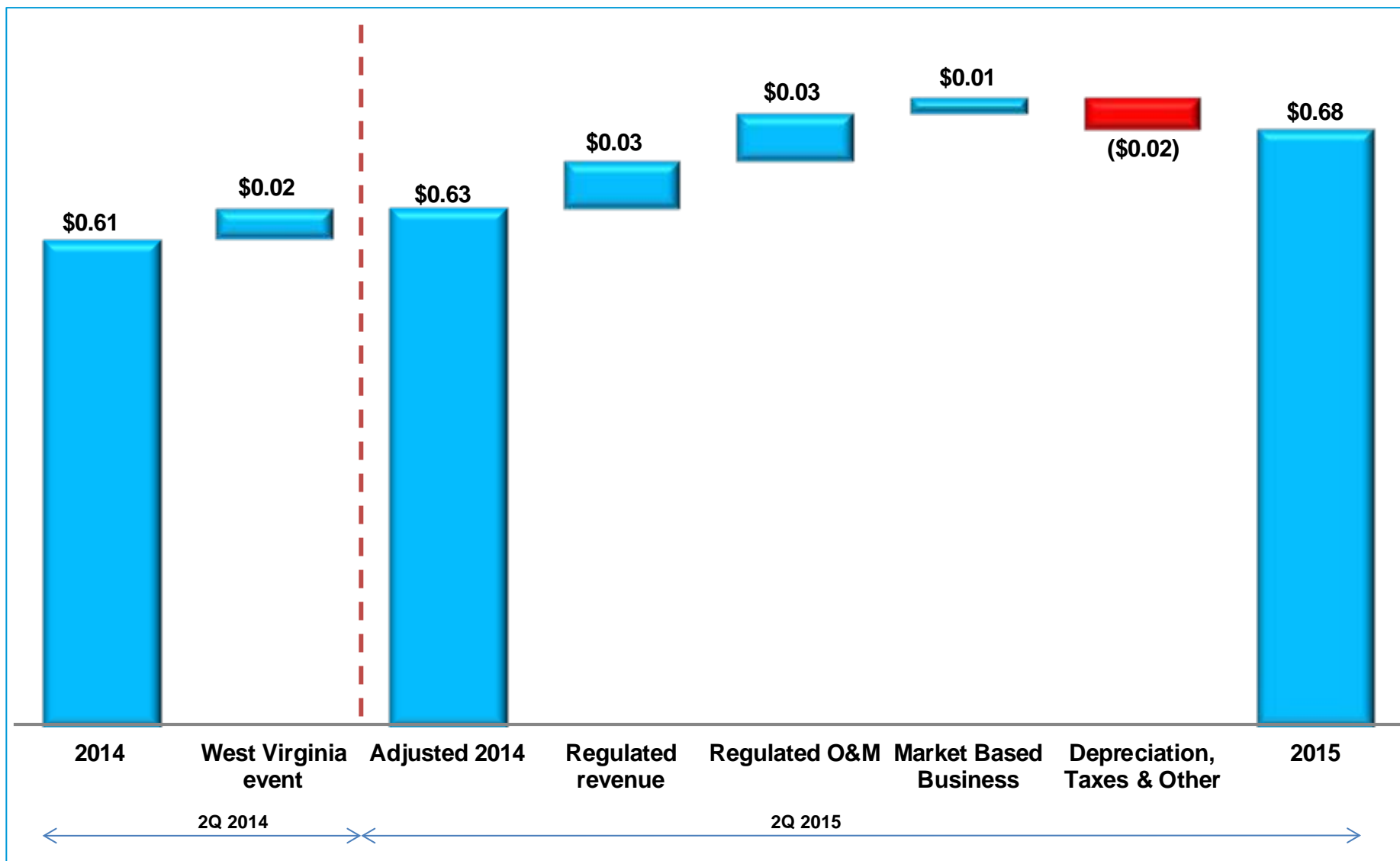
**2015**

Regulated Segment	\$1.13
Market-Based Segment	\$0.10
Other (Includes Parent interest & other)	(\$0.10)

**Total EPS** \$1.13

Note: \* Reported 2014 Q2 EPS of \$0.61 and YTD EPS of \$ 1.00 were adjusted by \$0.02 in Q2 2014, and \$0.04 YTD, respectively, for the impact of Freedom Industries' chemical spill in WV Segment information rounded for presentation purposes

# Earnings Growth - Higher Revenues & Continued O&M Efficiency



Note: Earnings refer to Diluted Earnings Per Share from continuing operations

August 2015



# Regulatory Filings Focused On Infrastructure Investments

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## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
New Jersey	Docket No. WR15010035	1/9/2015	\$66.2		10.75%	\$2,405.5
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	35.6	(a)	10.75%	540.0
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6
			<b>\$127.0</b>			<b>\$4,028.1</b>

## Rates Effective since July 1, 2014

	Date Effective	Revenue Increase		Comments
<b>B. Step Increases</b>				
California	Various	1.9	(c)	Final Step
		<b>\$1.9</b>		
<b>C. Infrastructure Charges</b>				
New Jersey (DSIC)	7/1/2014	7.4		
Missouri (ISRS)	12/31/2014	9.0		
New Jersey (DSIC)	1/1/2015	9.4		
Illinois (QIP)	1/1/2015	4.9		
Illinois (QIP)	2/1/2015	1.0		
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6		
New York (SIC)	6/1/2015	0.1		
Missouri (ISRS)	6/27/2015	1.9		
Tennessee (QIIP, EDI & SEC)	6/30/2015	2.2		
Pennsylvania (DSIC - W & WW)	7/1/2015	4.6		
		<b>\$42.1</b>		
<b>D. Rate Cases</b>				
Indiana	1/29/2015	5.1		
California	1/1/2015	5.2	(d)	
Maryland	6/19/2015	0.5		
Kentucky WW	7/2/2015	0.2	(e)	
		<b>\$11.0</b>		

Note: See appendix for footnotes

August 2015

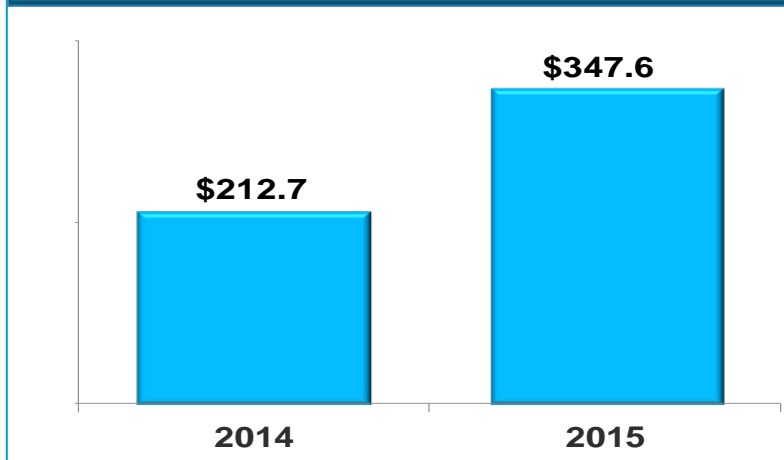
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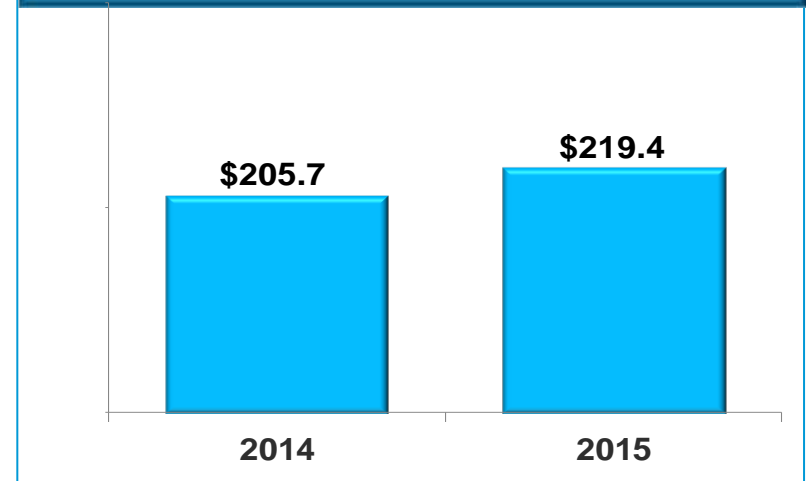
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# Improved Financial Performance, Reaffirming 2015 Guidance

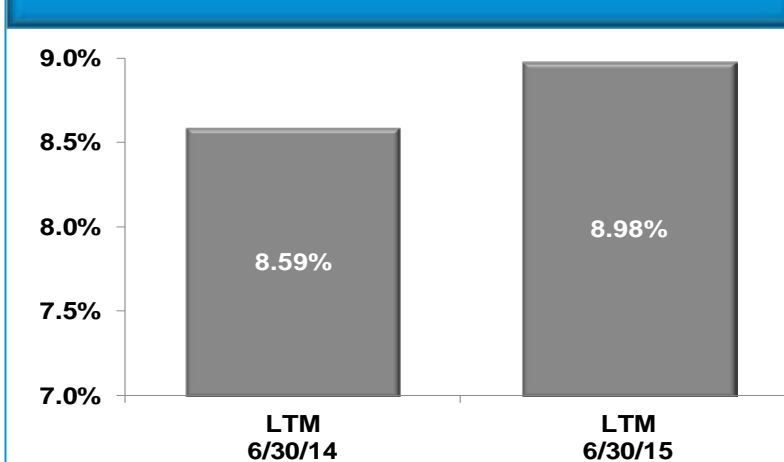
**Second Quarter Total Investments**  
(\$ in millions)



**Second Quarter Cash Flow From Operations**  
(\$ in millions)



**Adjusted Return On Equity\***



**~10%  
Increase In  
Quarterly  
Dividends**

- Paid \$0.34 quarterly cash dividend per common share on June 1, 2015 to all shareholders of record as of May 11, 2015.

**Reaffirming  
2015 EPS  
Guidance:  
\$2.55-\$2.65**

- Including July's wet weather reaffirming 2015 earnings guidance

\*Adjusted Return on Equity, Non-GAAP measures see appendix for reconciliation

August 2015

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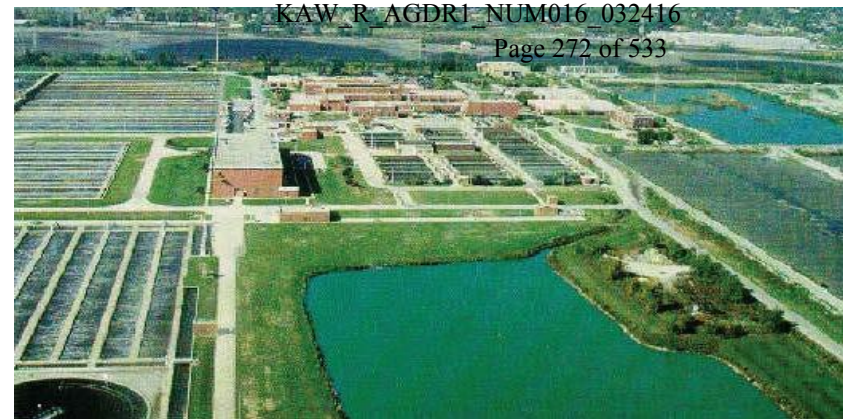
**Susan Story**  
**President and Chief Executive Officer**



# Our Focus On Sustainability

## Beneficial water reuse project in Northeast Illinois

- Partnership with MWRD on a beneficial water reuse project
- Distributing non-potable, treated effluent to large water users in the area



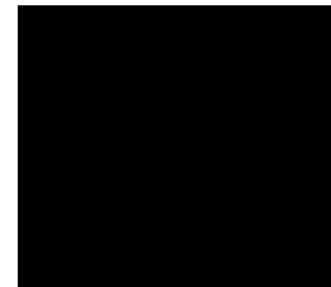
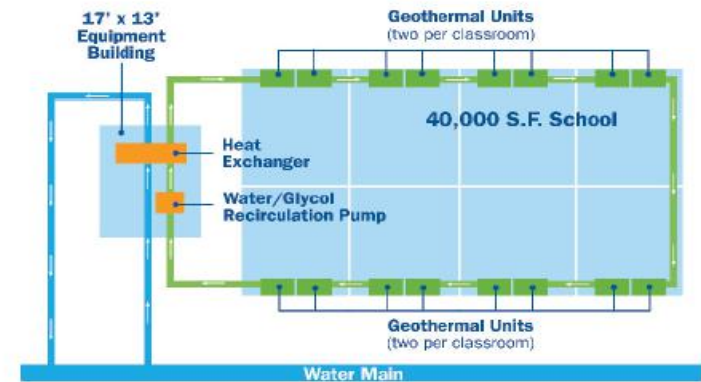
## Geothermal Innovation Pilot in Valley Stream, NY

- Pumping water through heat exchange unit within the school to heat and cool the building
- Differs from traditional “closed loops”, ground temperature transferred from water main, expedient and cost efficient

## AWK Named One of ‘America’s Top Green Companies’

- Ranked # 24 on Newsweek’s list of America’s Top Green Companies for 2015
- Only water utility ranked in top 25

## Geothermal System: Final Configuration



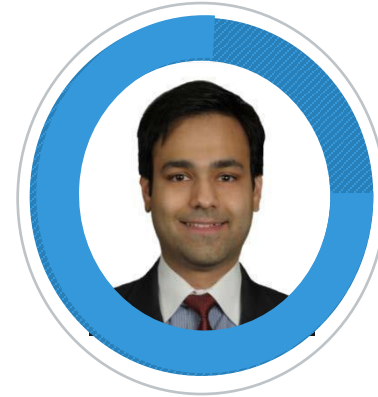


**Greg Panagos**

Vice President – Investor Relations

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**AWK  
LISTED  
NYSE**



**Durgesh Chopra**

Director – Investor Relations

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Tel: 856-566-4005

Fax: 856-782-2782

**Q3 2015 Earnings Call: November 5, 2015, 9 a.m. ET**  
**Analyst Day: December 15, 2015**

NYSE: AWK

## Appendix

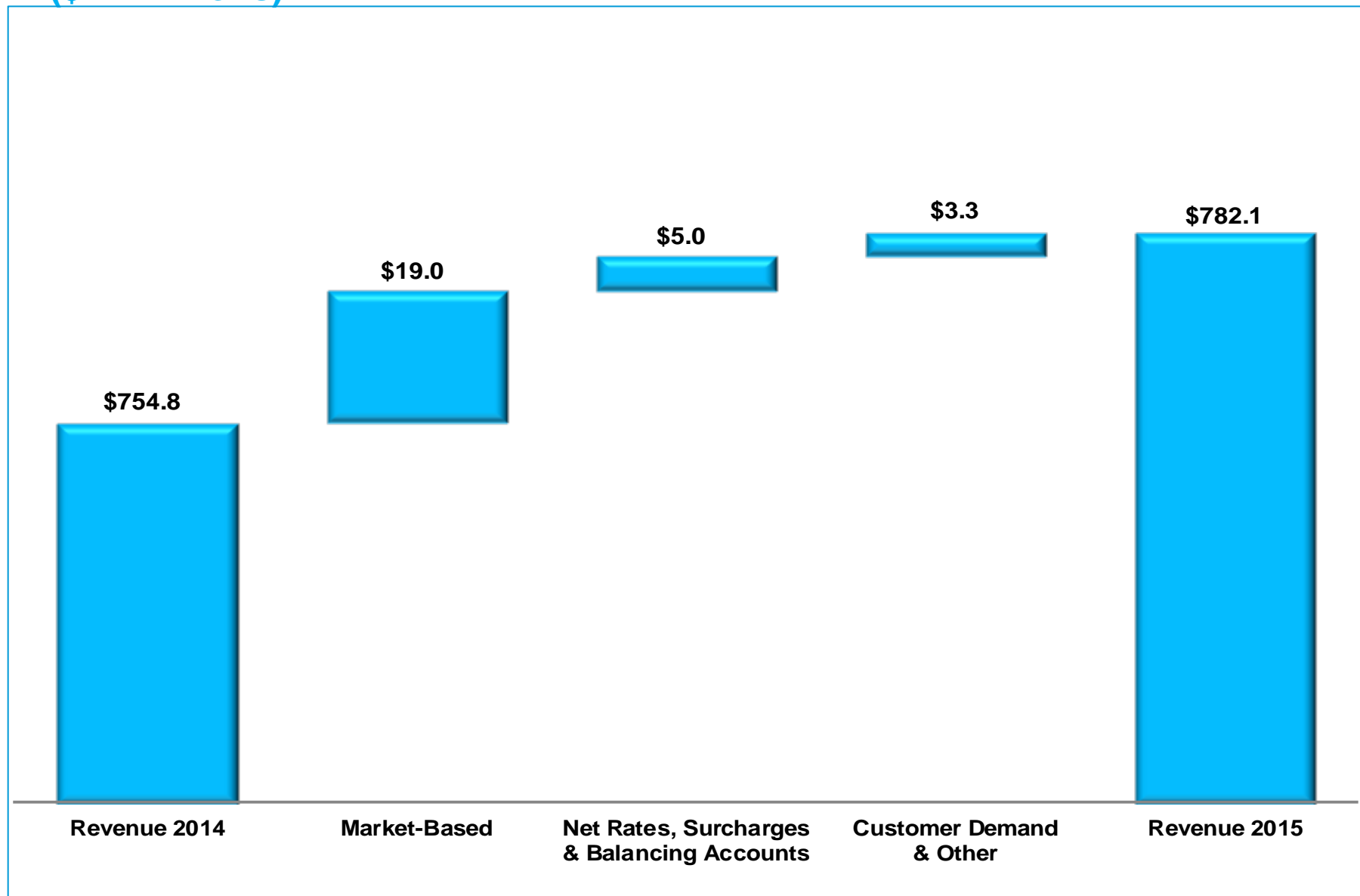


# 2015 Second Quarter Revenue Breakdown

(\$ in millions)

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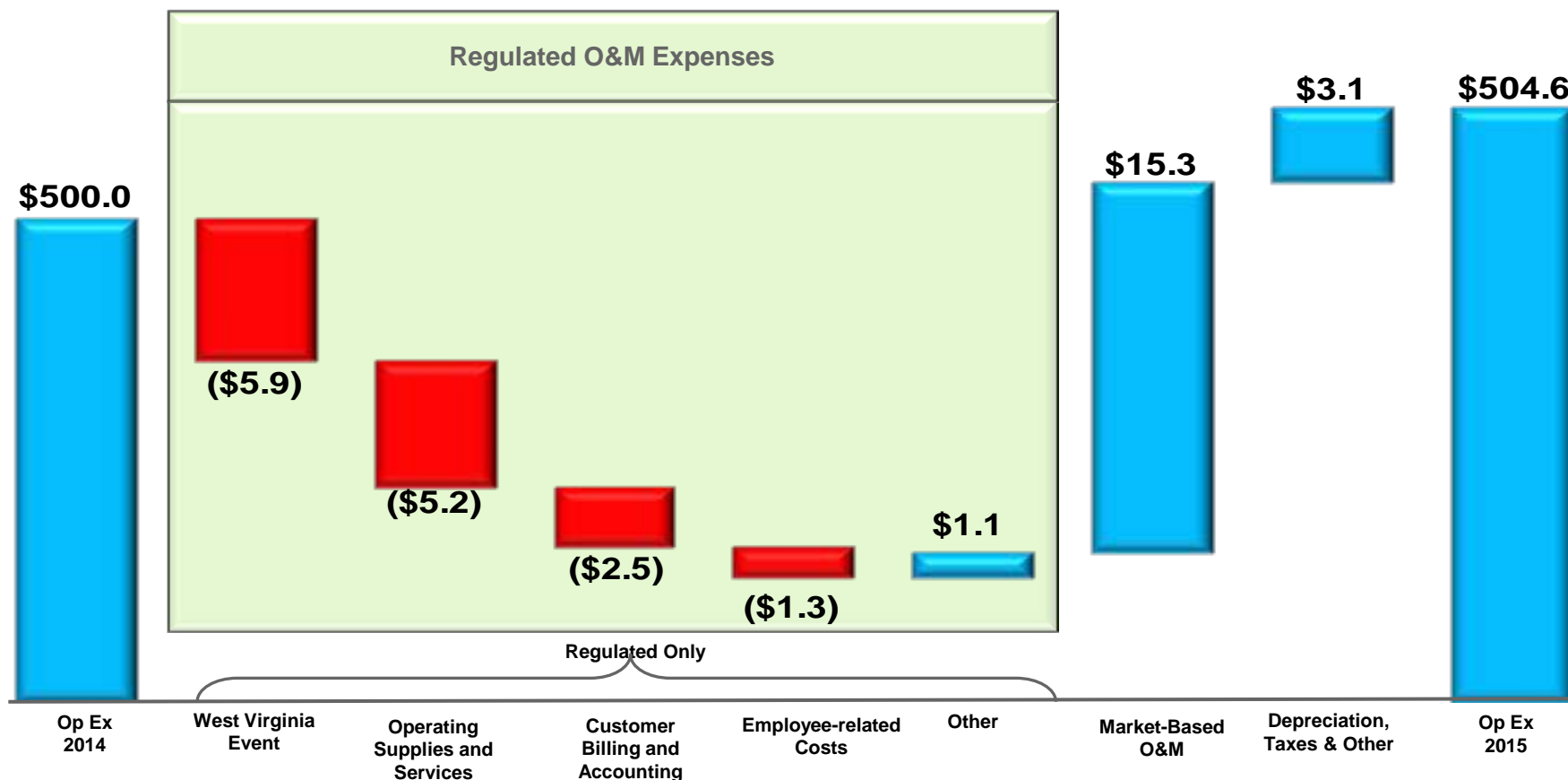


August 2015



# 2015 Second Quarter Operating Expense Breakdown











(\$ in millions)





# Regulated Utilities: Rate Base & Authorized Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

	 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER	
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
	 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER	
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012

# Regulatory Filings: Rate Cases Update Footnotes

- (a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations
- (b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million
- (c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision
- (d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively
- (e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year

# Comparison of Water Sales Volume

<u>Customer Class</u>	<u>Billed Water Sales Volume</u> (In Millions of Gallons)			
	<b>Second Quarter</b>			
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>Percentage</u>
Residential	41,725	41,705	20	0.0%
Commercial	19,727	19,092	635	3.3%
Industrial	9,573	9,591	-18	-0.2%
Public & Other	12,889	12,510	379	3.0%
<b>Total</b>	<u>83,914</u>	<u>82,898</u>	<u>1,016</u>	<u>1.2%</u>

# Rate Base Calculation

## Rate Base as of June 30, 2015<sup>(1)</sup>

(\$ in Thousands)

Net Utility Plant	\$13,244,298
Less	
Advances for Construction	\$359,498
CIAC – Contributions in Aid of Construction	\$1,098,610
Net Deferred income taxes	\$2,153,901
Deferred investment tax credits	\$24,339
Sub Total	\$3,636,348
<b>Rate Base</b>	<b>TOTAL \$9,607,950</b>

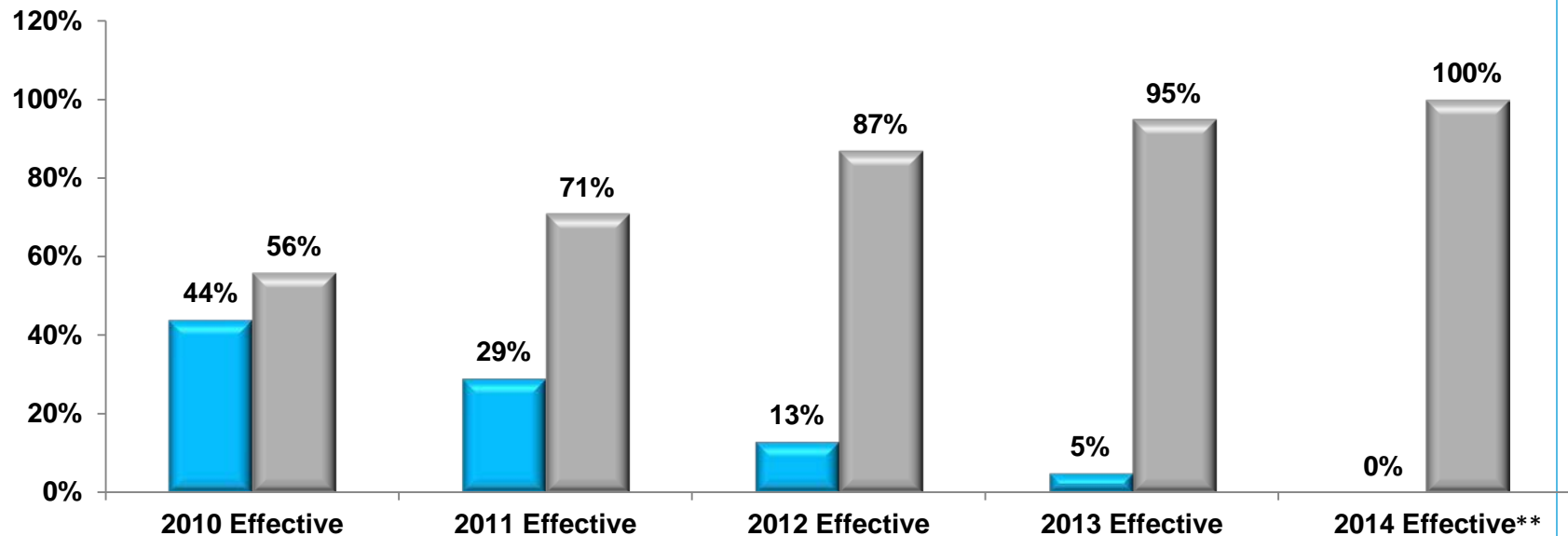
(1) An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes

# Disciplined Approach To O&M Cost Control Enables More Efficient Use Of Our Capital

## Incremental Revenue Requirement\*

– Increases Attributable to Opex vs. Capex –

■ Opex ■ Capex



Note:

\*Approximation in states where we received black box award

\*\*For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

# Reconciliation Tables: Adjusted Return on Equity

Adjusted Return on Equity		
(A Non-GAAP Unaudited Number)	For the Twelve Months Ended June 30,	
	2015	2014
<i>(\$ in thousands )</i>		
Net income	\$448,804	\$387,780
Adjustments:		
2013 Debt Tender Offer	\$0	\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$475	\$6,532
Loss (income) from discontinued operations	\$4,868	\$2,537
<b>Adjusted net income from Continuing Operations</b>	<b>\$454,147</b>	<b>\$421,605</b>
Stockholders' equity	\$5,053,390	\$4,873,126
2013 Debt Tender Offer	\$0	\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$475	\$6,532
Loss (income) from discontinued operations	\$4,868	\$2,537
<b>Adjusted stockholders' equity</b>	<b>\$5,058,733</b>	<b>\$4,906,951</b>
<b>Adjusted Return on Equity</b>	<b>8.98%</b>	<b>8.59%</b>

# Reconciliation Table: Regulated Segment O&M Efficiency Ratio

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Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	FY	FY	FY	FY	LTM June
	2011	2012	2013	2014	2015
<b>(\$ in thousands)</b>					
Total Operations and Maintenance Expense	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864	\$ 1,347,291
Less:					
Operations and Maintenance Expense – Market Based Operations	256,746	256,268	240,610	289,395	316,456
Operations and Maintenance Expense – Other	(69,192)	(56,755)	(56,973)	(51,038)	(55,333)
Total Regulated Operations and Maintenance Expense	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507	\$1,086,168
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	30,590	35,067	34,635	38,985	39,165
Regulated Purchased Water Expense	99,008	110,173	111,119	121,301	118,708
Impact of West Virginia Freedom Industries Chemical Spill				10,438	618
Estimated impact of weather (mid-point of range)		4,289	(1,687)	(1,762)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>	<b>\$929,439</b>
Total Operating Revenues	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328	\$3,057,746
Less:					
Operating Revenues – Market Based Operations	303,171	307,366	302,541	354,679	385,250
Operating Revenues – Other	(30,470)	(17,874)	(17,523)	(17,680)	(18,309)
Total Regulated Operating Revenues	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329	\$2,690,895
Less:					
Regulated Purchased Water expense*	99,008	110,173	111,119	121,301	118,708
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill				1,012	-
Estimated impact of weather (mid-point of range)		(42,885)	15,625	16,785	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>	<b>\$2,588,882</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>	<b>35.9%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

August 2015



# Reconciliation Table: Closed & Pending Regulated Acquisitions

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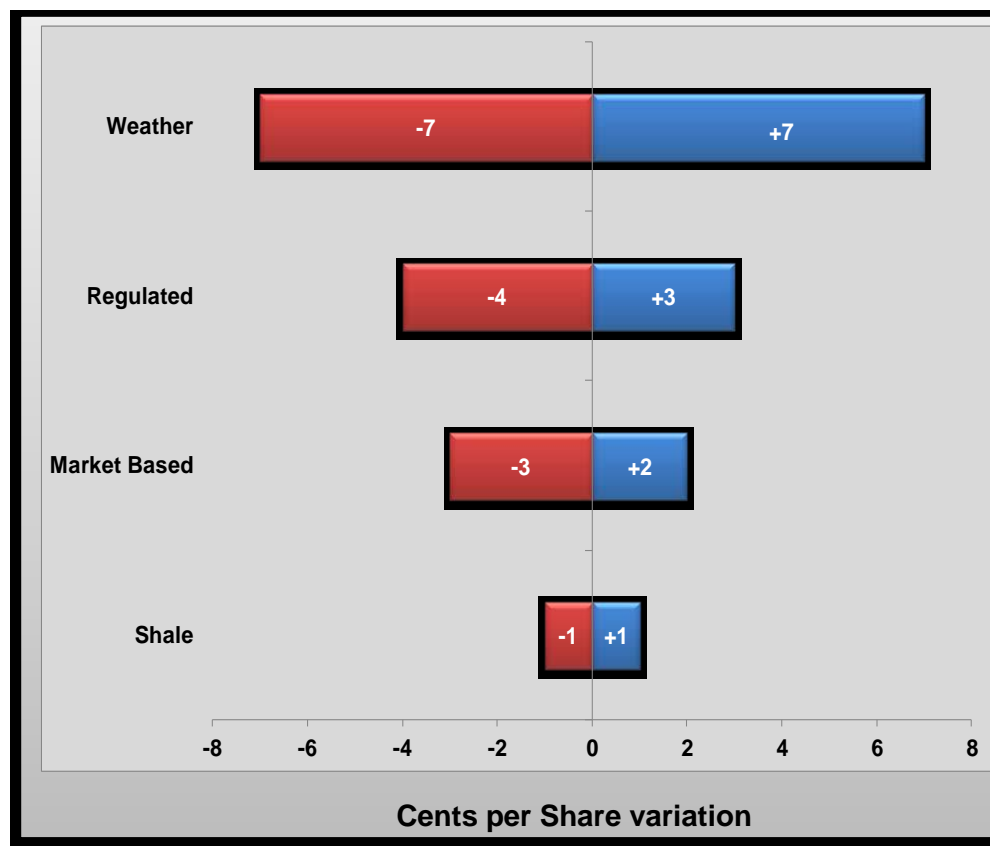
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Acquisitions				
2015 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
MO	2	25	9,296	9,321
NJ	1	4,500	4,500	9,000
IN	1	450		450
Total	<u>4</u>	<u>4,975</u>	<u>13,796</u>	<u>18,771</u>
Announced Pending Acquisitions*				
(As of August 6, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	5	2,590	253	2,843
IL	1	135		135
IN	1	58		58
MO	2	49	399	448
NJ	2	104	5,300	5,404
NY	1	35		35
PA	5	250	4,309	4,559
Total	<u>17</u>	<u>3,221</u>	<u>10,261</u>	<u>13,482</u>

\*Announced pending defined as awaiting financial close, Municipal and/or Regulatory approval

August 2015

Reaffirming 2015 Guidance: \$2.55 - \$2.65



- Guidance range includes a certain amount of variability, with weather representing the largest variable
  - Guidance range expected to cover normal weather variability; weather extremes are not included
  - Weather impacts will be quantified and disclosed for transparency



AMERICAN WATER

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## Institutional Investor Presentation

August 2015



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

August 2015



AMERICAN WATER

NYSE: AWK

## American Water Overview



# American Water: The Premier Water Services Provider In North America

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## Market Statistics\*

- **\$16.0 Billion** Total Enterprise Value
- **790,000** Average Daily Trading Volume
- **\$9.9 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
  - 89% Regulated, 11% Market Based
- **12.6%** Total Shareholder Return for Last 12 Months
- **2.5%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,800** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

\* Market data as of August 19, 2015, Source : FactSet

August 2015

# American Water Is Unique

*Strong Earnings & Dividend Growth*

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 Industry Leading projected **7-10%** Long Term EPS Growth  
with **0.8** Beta\*

 **9%** Dividend Growth rate Top Quartile in Utilities\*\*

 Operational Excellence Minimizes Bill Increases projected  
**2%** on an average

 Commitment to Innovation & Environmental Stewardship, over  
**600** technologies examined

*\*Source : Factset 5 Yr Beta (Adjusted)*

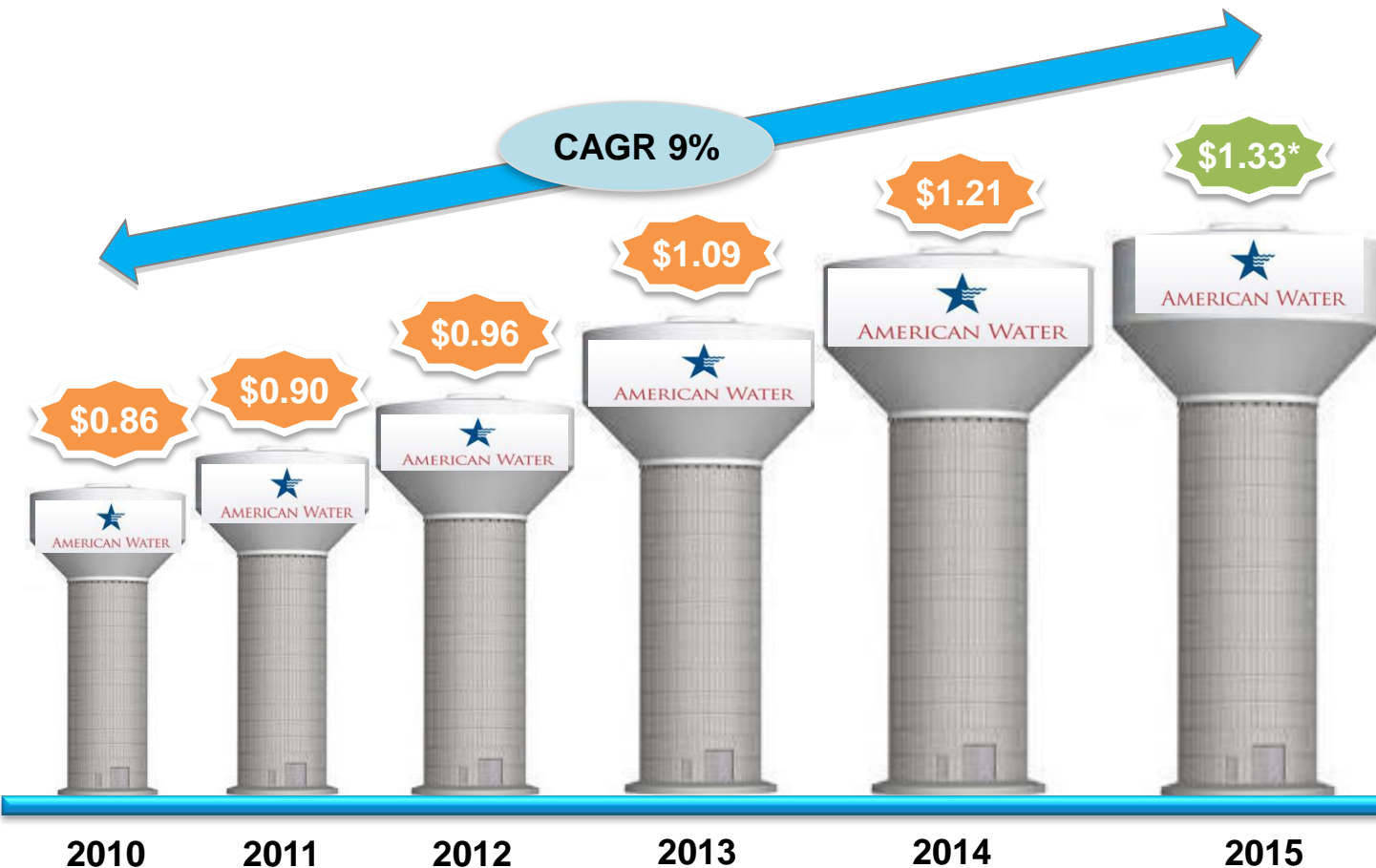
*\*\*Source: Factset: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.  
Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , ARTNA , CTWS , CWT , MSEX , SJW , WTR , YORW*

August 2015

# Long History Of Consistent Dividend Growth

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- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income

**Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers\*\***

\*Assumes fourth quarter 2015 dividend payment equal to current quarterly dividend of \$0.34 per share. Payment of fourth quarter 2015 dividend subject to Board review and approval

\*\*Source: Factset: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.

Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW

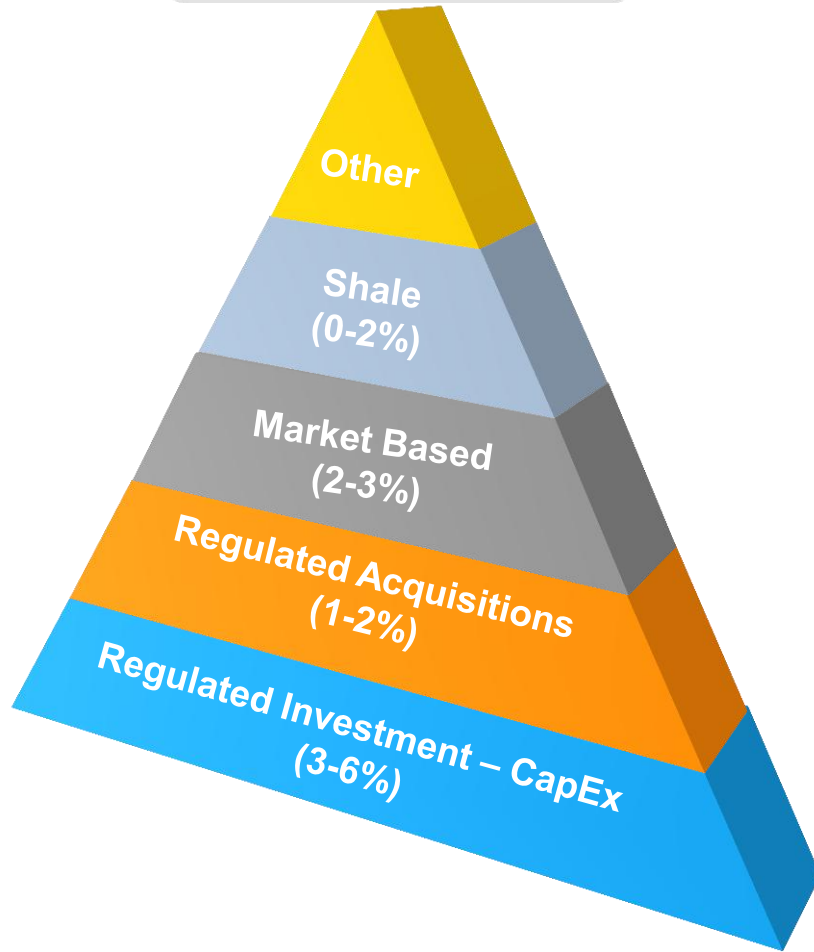
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# Our Future: Our Commitment Over The Next 5 Years

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2015 - 2019  
Plan



- Industry Leading **7-10%**  
Long Term EPS Growth\*
- \$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

\*Anchored from FY 2013

## 2014 Water Quality Report

- **15x** better than the industry average for compliance with drinking water quality standards
- **20x** better than the industry average for meeting all drinking water requirements



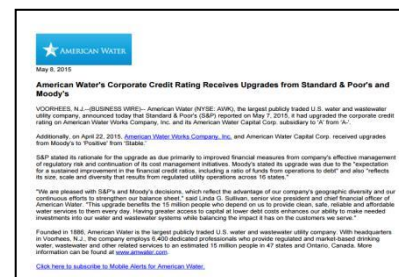
## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Rating Upgrade

- Standard & Poor's (S&P) reported on May 7, 2015, it had upgraded American Water's corporate credit rating to 'A' from 'A-'
- Additionally, on April 22, 2015, the company received upgrades from Moody's to 'Positive' from 'Stable.'





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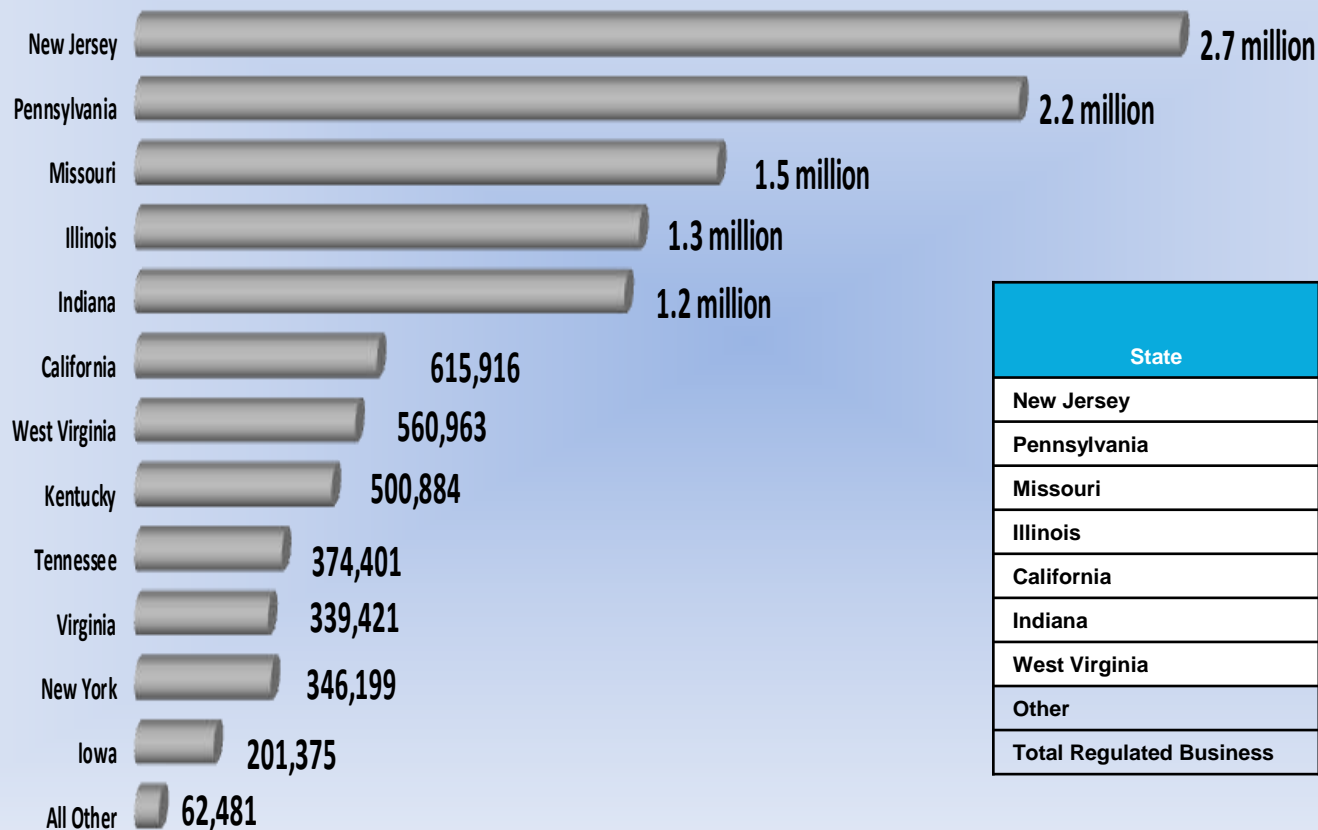
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## Our Regulated Business



## States Where We Operate

(approximate population served by state)\*

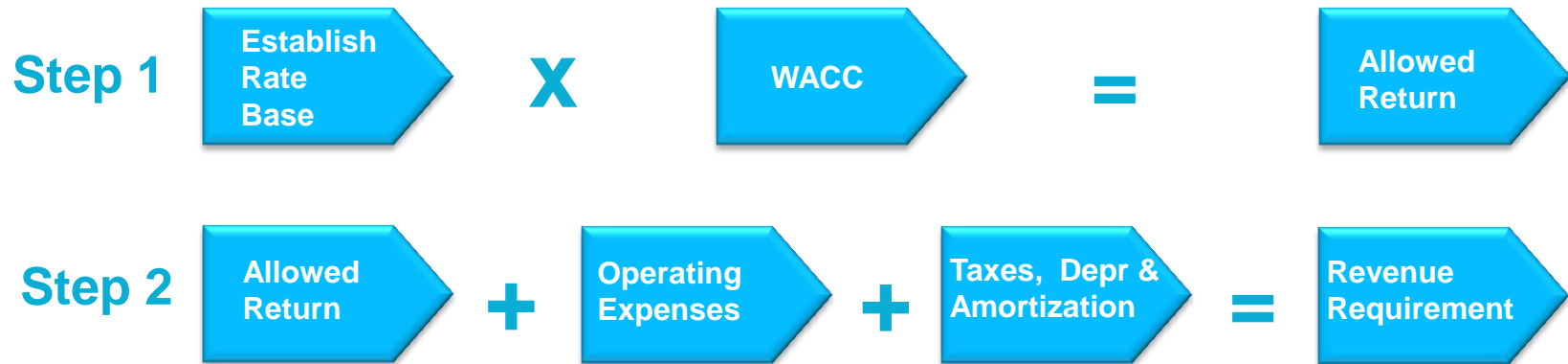


State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
Total Regulated Business	\$2,674.3	100%

\* Population data for FY 2014

# The Rate Of Return Regulation In The United States

Prudent Investment Drives Need for Rate Cases



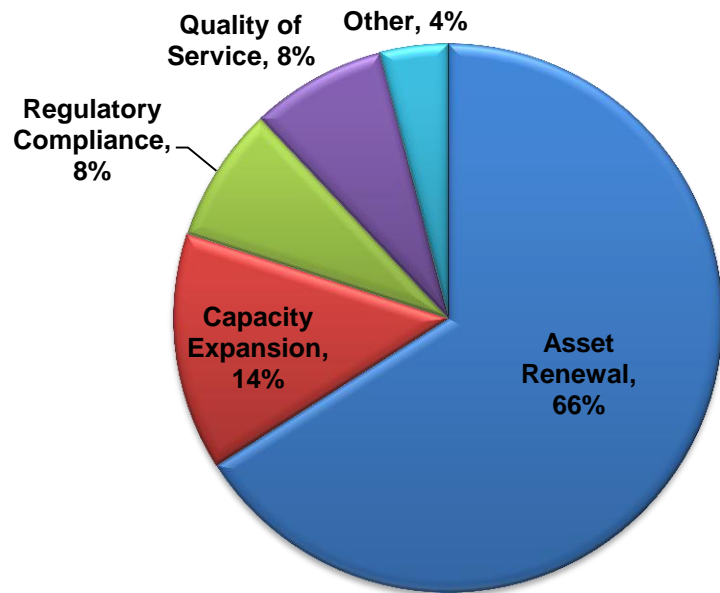
American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

# Investment In Water & Wastewater Industry Is Urgently Needed

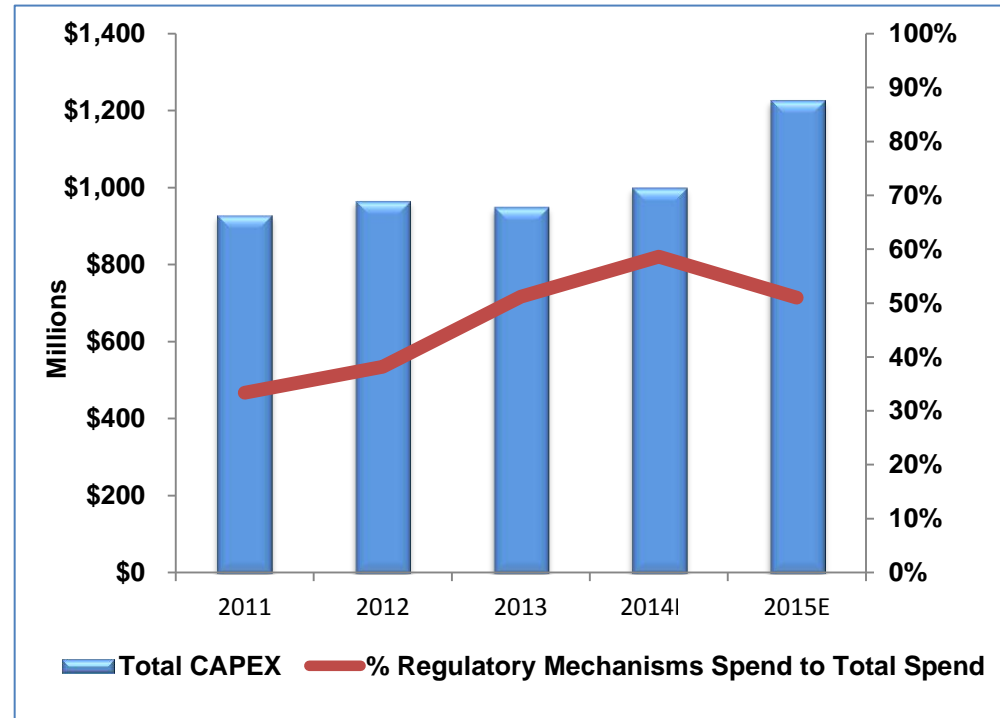
- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

# Regulatory Capital Investment Of \$5.2 Billion Over Next Five Years

2015 – 2019 Average Capital Expenditures by Purpose



Investments covered by Regulatory Mechanisms



Note

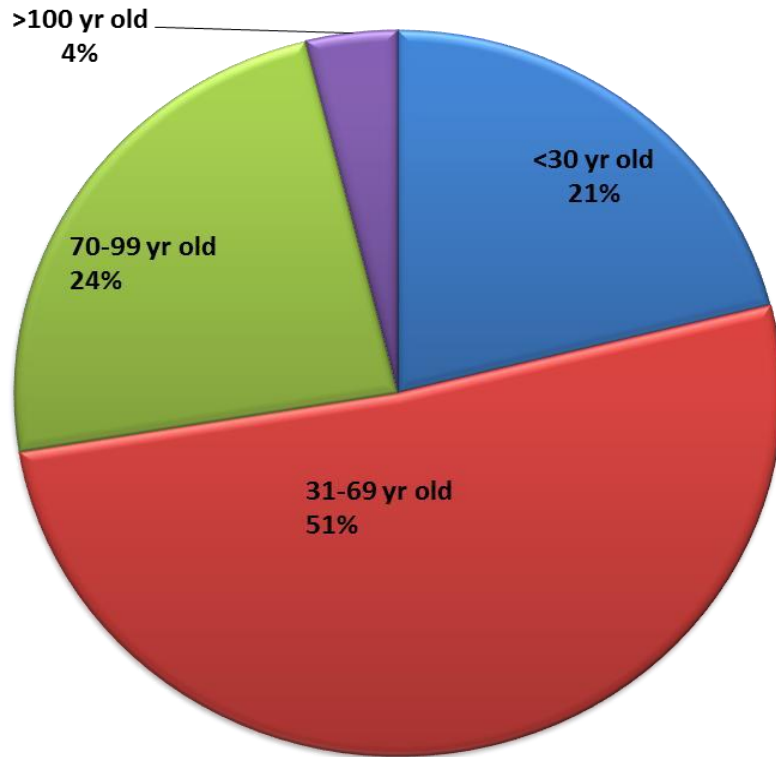
(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years

# Pipe Age Distribution & Replacement Rate

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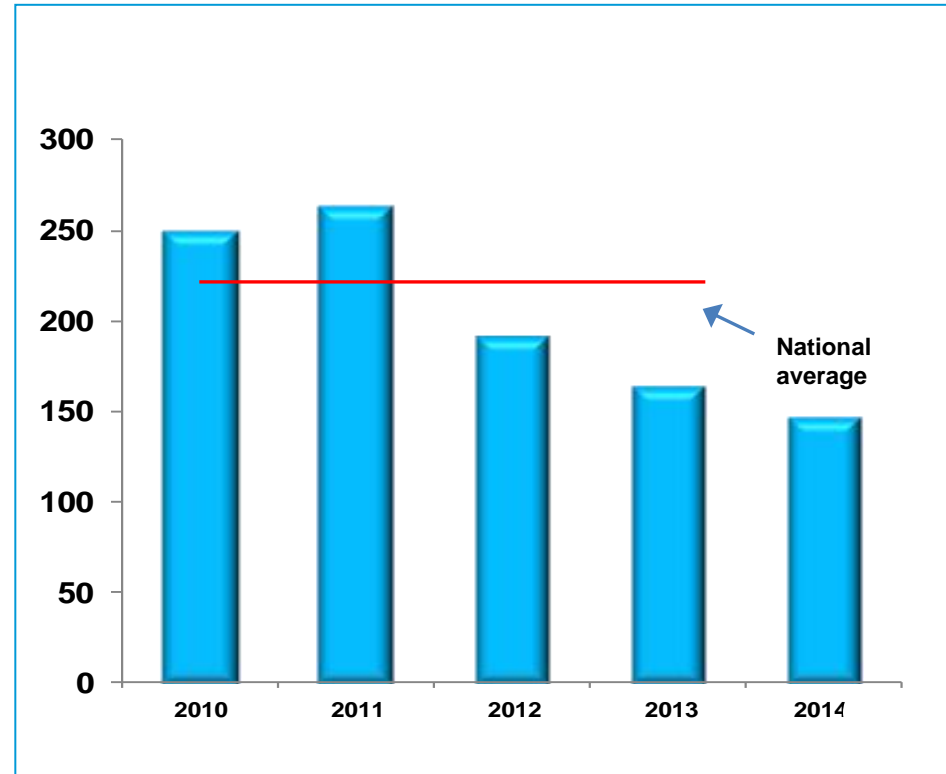
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## Pipe Age Distribution – AW System



Over 25% pipes are 70 years or older

## American Water Pipe Replacement Rate (in years)

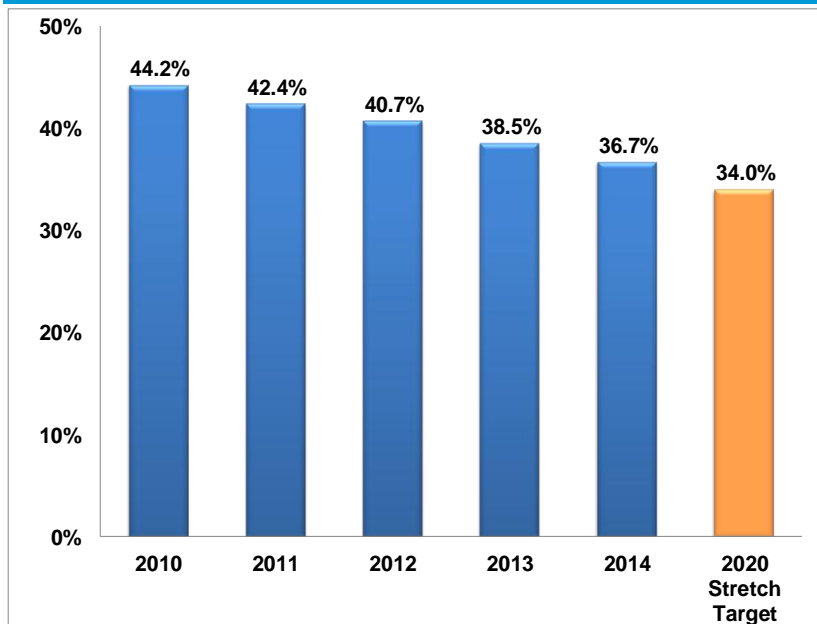


Pipe Replacement rate is shortening



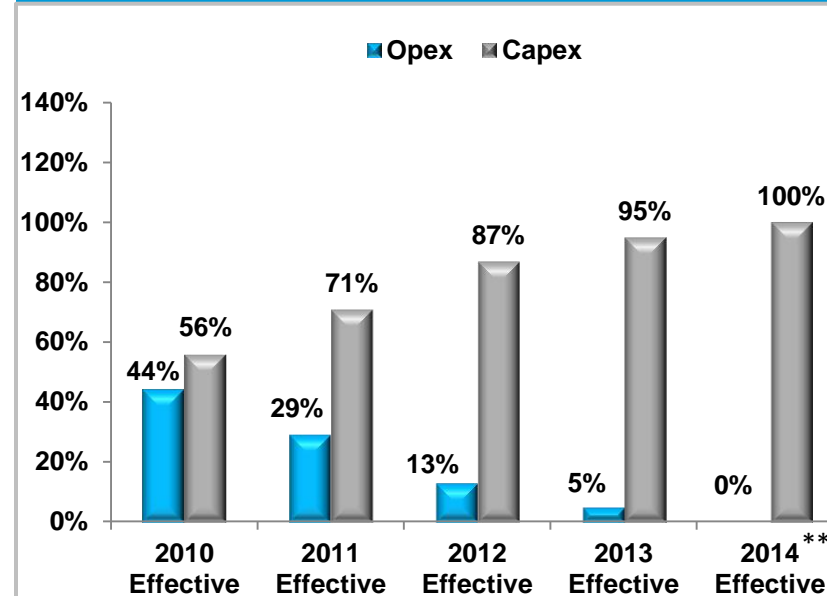
# Our Disciplined Approach To Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:

\* Approximation in states where we received black box award

\*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# We Work With State Commissions To Lower Impact Of Regulatory Lag To Increase Investments

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## Positive Policies To Reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates Recovery On Plant Not Yet In Service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
NJ	X		X	X		X
PA	X	X		X	X	X <sup>(3)</sup>
MO	X		X	X		X <sup>(3)</sup>
IL	X	X	X	X	X	X
IN	X	X		X		X <sup>(3)</sup>
WV				X		
CA		X	X		X	X
KY		X		X	X	
NY	X	X	X		X <sup>(2)</sup>	X
TN	X	X	X		X	X <sup>(3)</sup>
VA	X <sup>(4)</sup>	X	X		X	
IA				X		
HI		X				
MD			X	X		X

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/ Waste Water Infrastructure Surcharge (A DSIC mechanism).

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## Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



## Distressed Utility Acquisition Bill:

- House Enrolled Act 1319 , Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

## Other States With Similar Acquisition Adjustments:



# Our Role In California

## Investing in Future of Water

- Total capital Investment ~\$300 million
- Desalination Plant : 6.4 or 9.6 MGD
- Heated Metal Oxide Particles (HMOPs)
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery



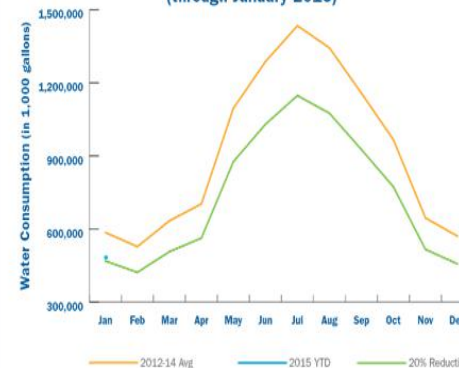
## Leading with Conservation

- Record drought, 25% mandatory statewide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
  - AMI Pilot in Monterey, monitor daily water consumption
  - Customers can sign up for text or email alert
- Usage decoupled from earnings

## CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

### Customer Conservation Progress Current Consumption vs. 20% Reduction (through January 2015)



Conservation  
**GOAL: 20%**

Actual conservation:  
**17%**  
for Jan 2015

Water Waste Reports  
Received:

January: **6**  
Year to Date: **6**



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## Our Market-Based Business



# Market Based Businesses Generate Complementary Opportunities For Growth

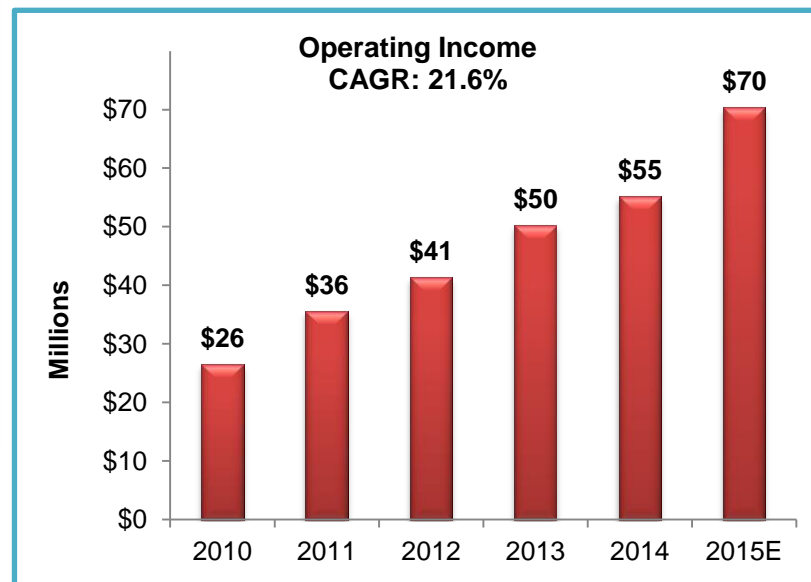
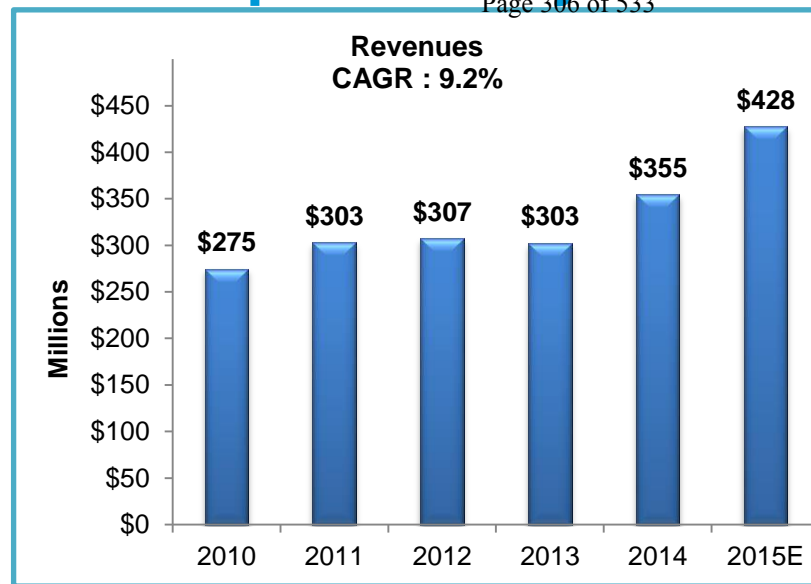
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## Lines of Business

- **Homeowner Services (HOS)**
- **Contract Operations**
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets

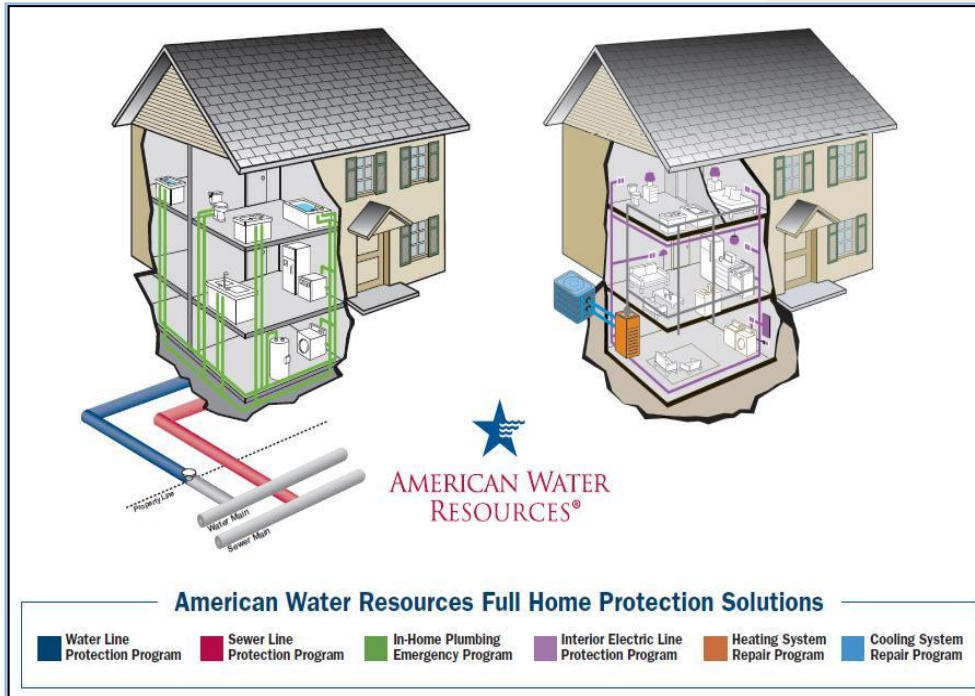


Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

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# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***

# Military Services: Overall Growth Strategy

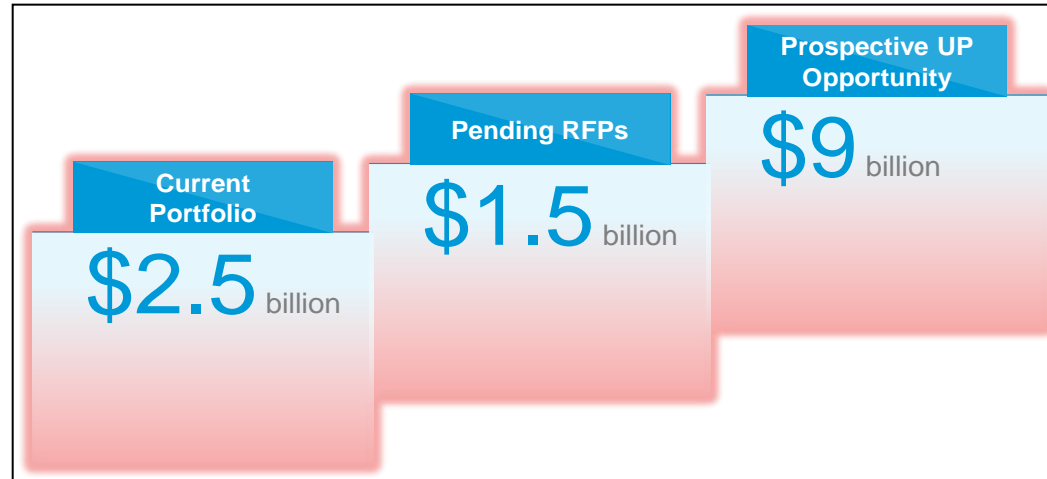
## Add New Customers

### Current Bases

- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Leavenworth (39 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)

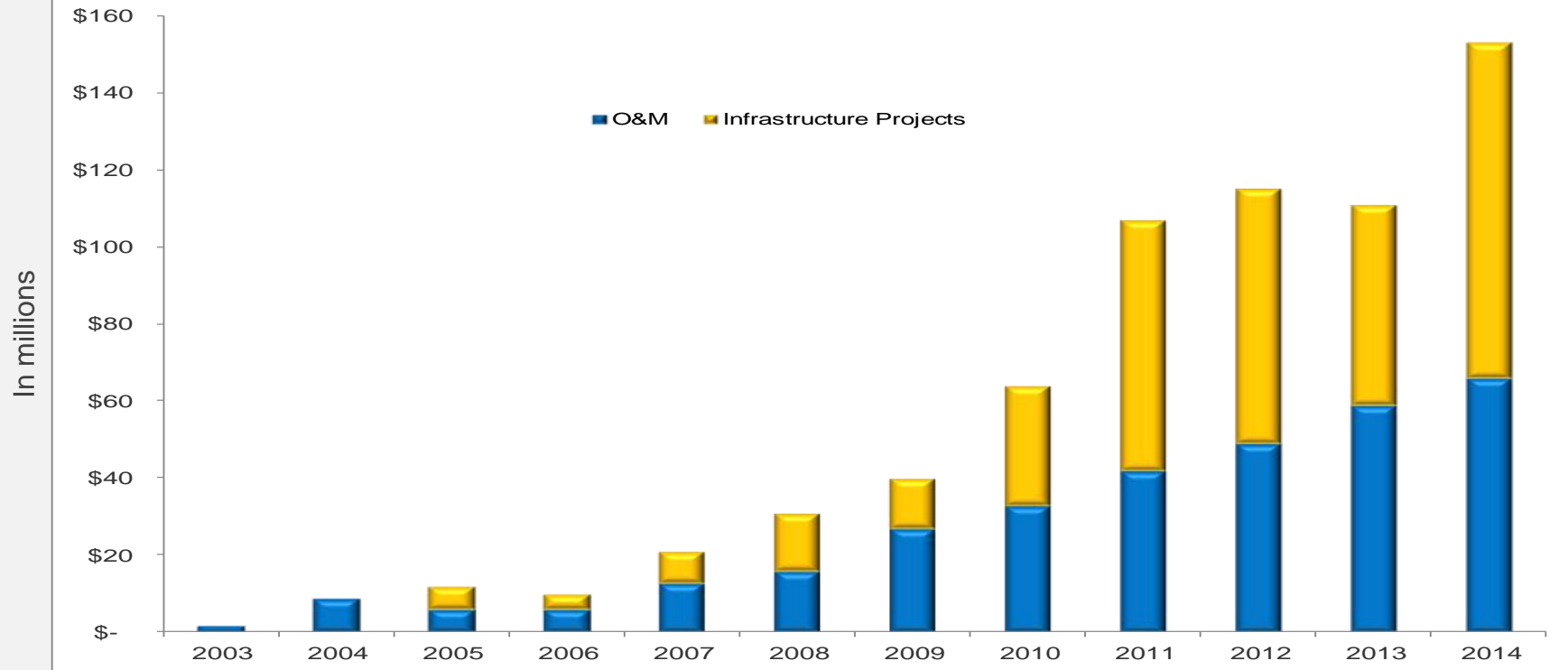
## Optimize Existing Bases

1. Price Redeterminations
2. Infrastructure Modifications





# Military Services: Growth By Adding New Bases & Optimizing Value At Existing Bases



Installations

2

3

3

4

6

8

10

10

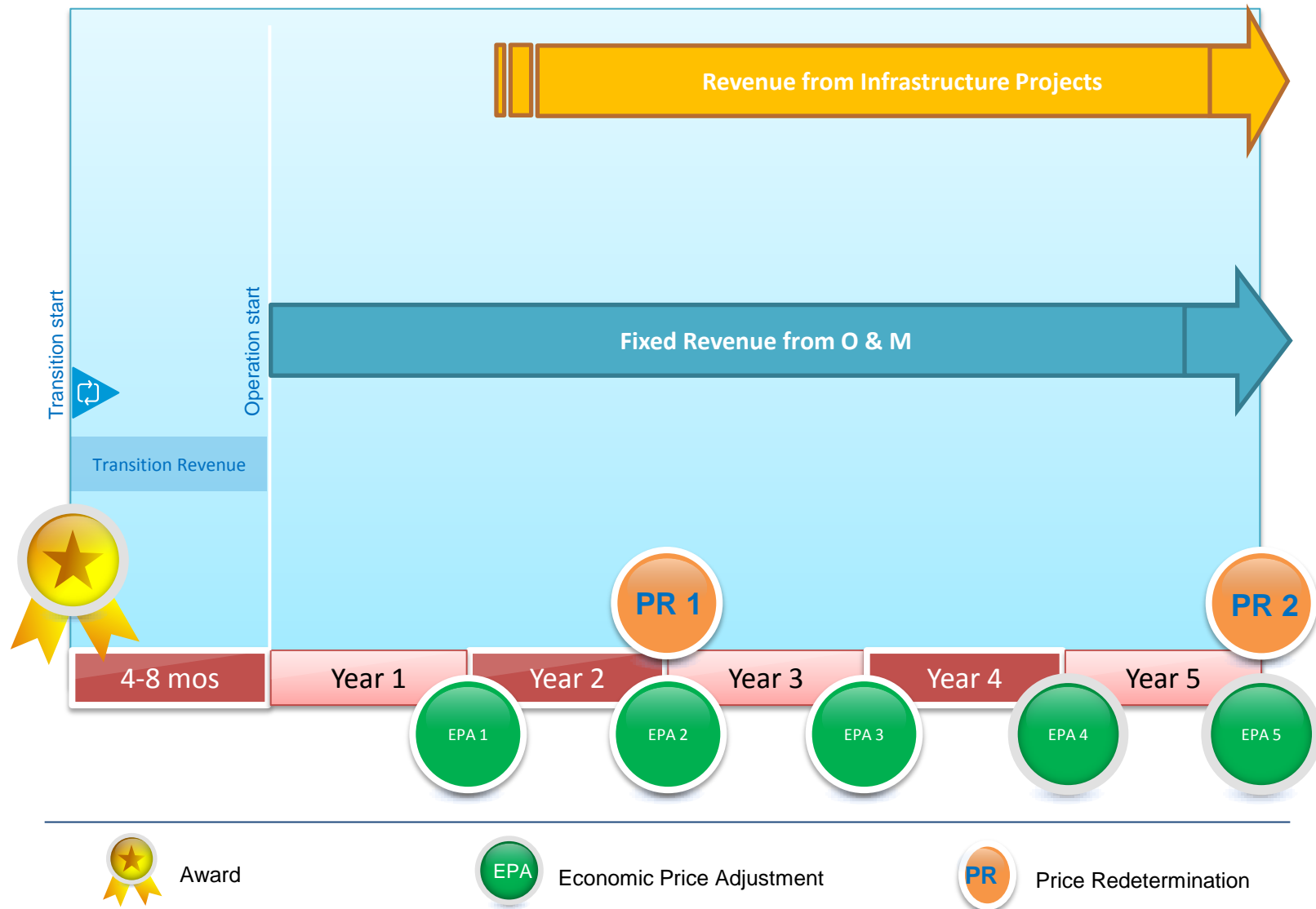
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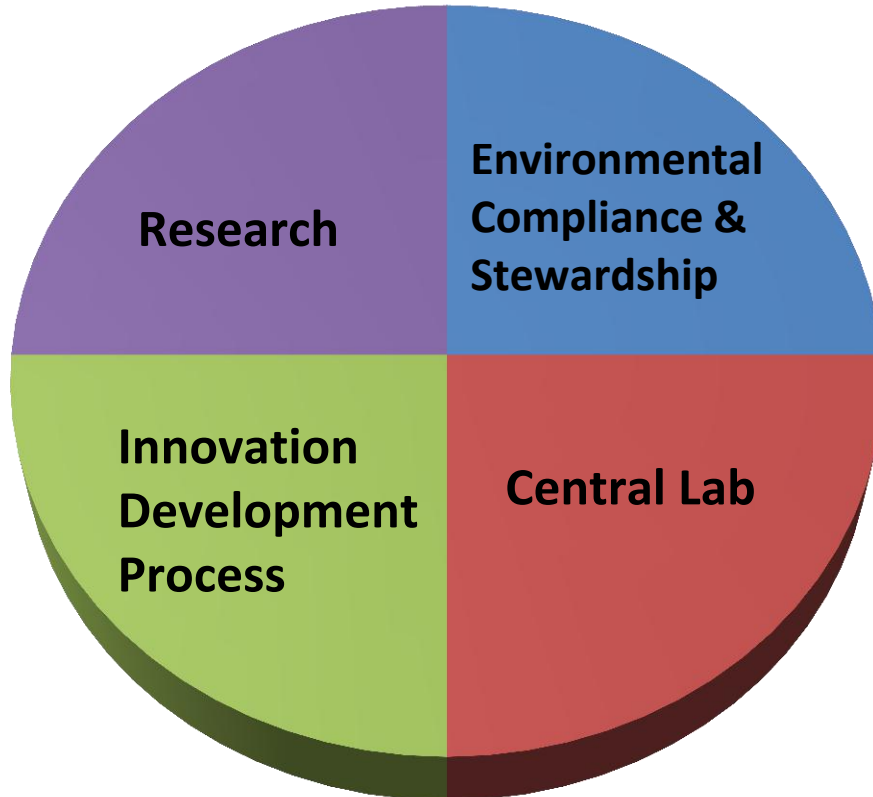
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# Military Services: Typical Revenue – First 5 Years Of Contract



# INNOVATION AND ENVIRONMENTAL STEWARDSHIP



## Interdisciplinary team of 40 people:

- Engineers, Chemists, Microbiologist & Environmental Scientists

## Objectives:

- Address emerging water quality or regulatory issues
- Evaluate & recommend new technology to enhance operations
- Support operations with technical, functional expertise

## Research Facts:

- More than 150 awards received for superior water quality
- Nearly 80 competitive research grants awarded
- Over \$32M total grant value
- Five US based patents

# The Water-Energy Nexus: Challenges & Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

**Optimize the energy efficiency of water management, treatment, distribution and end of use systems**

- NPXPRESS
- Pressure Management Research
- Pump Efficiencies
- Demand Side Energy Management

**Enhance the reliability and resilience of energy and water systems**

- Smart Water Grid
- Saving Water to Save Energy
- Resiliency Projects

**Increase safe and productive use of non-traditional water sources**

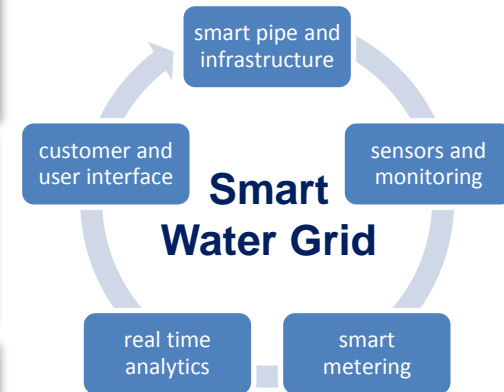
- One Water Philosophy
- Desalination
- Recycled Water

**Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts**

- Shale Gas Production

**Exploit productive synergies among water and energy systems**

- Enbala
- Solar Power
- Wind Power Purchases



Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"

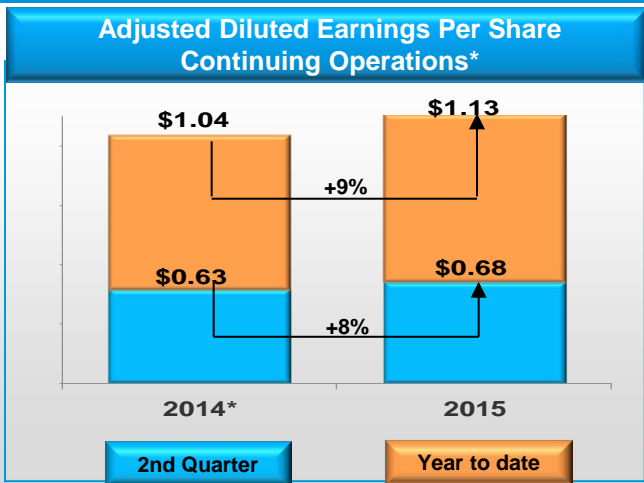
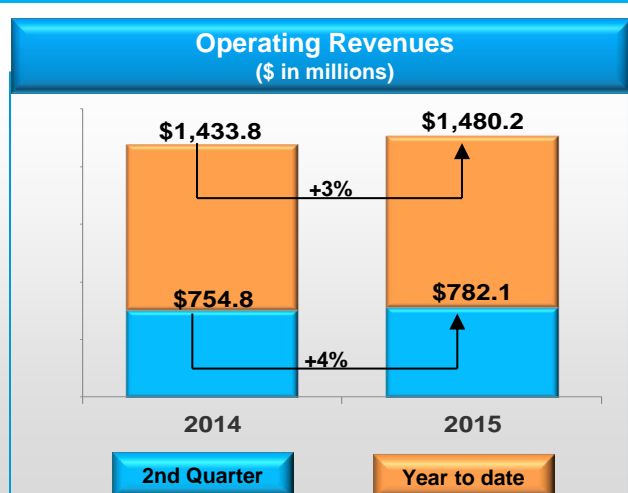
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# Our Future Results Are Anchored On 5 Central Themes With Customers At The Center Of All We Do



# Continued Solid Revenue & EPS Growth In 2Q 2015

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## Second Quarter EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	<u>2015</u>
Regulated Segment	\$0.68
Market-Based Segment	\$0.06
Other (Includes Parent interest & other)	(\$0.06)
<b>Total EPS</b>	<u><b>\$0.68</b></u>

## Year To Date EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	<u>2015</u>
Regulated Segment	\$1.13
Market-Based Segment	\$0.10
Other (Includes Parent interest & other)	(\$0.10)
<b>Total EPS</b>	<u><b>\$1.13</b></u>

Note: \* Reported 2014 Q2 EPS of \$0.61 and YTD EPS of \$ 1.00 were adjusted by \$0.02 in Q2 2014, and \$0.04 YTD, respectively, for the impact of Freedom Industries' chemical spill in WV Segment information rounded for presentation purposes

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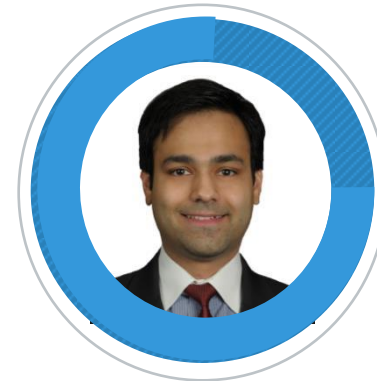


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Fax: 856-782-2782

**Q3 2015 Earnings Call: November 5, 2015, 9 a.m. ET**

**Analyst Day: December 15, 2015**



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## Appendix





# Reconciliation Table – Regulated O&M Efficiency Ratio

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Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)					
	FY	FY	FY	FY	FY
	2010	2011	2012	2013	2014
<b>(\$ in thousands)</b>					
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

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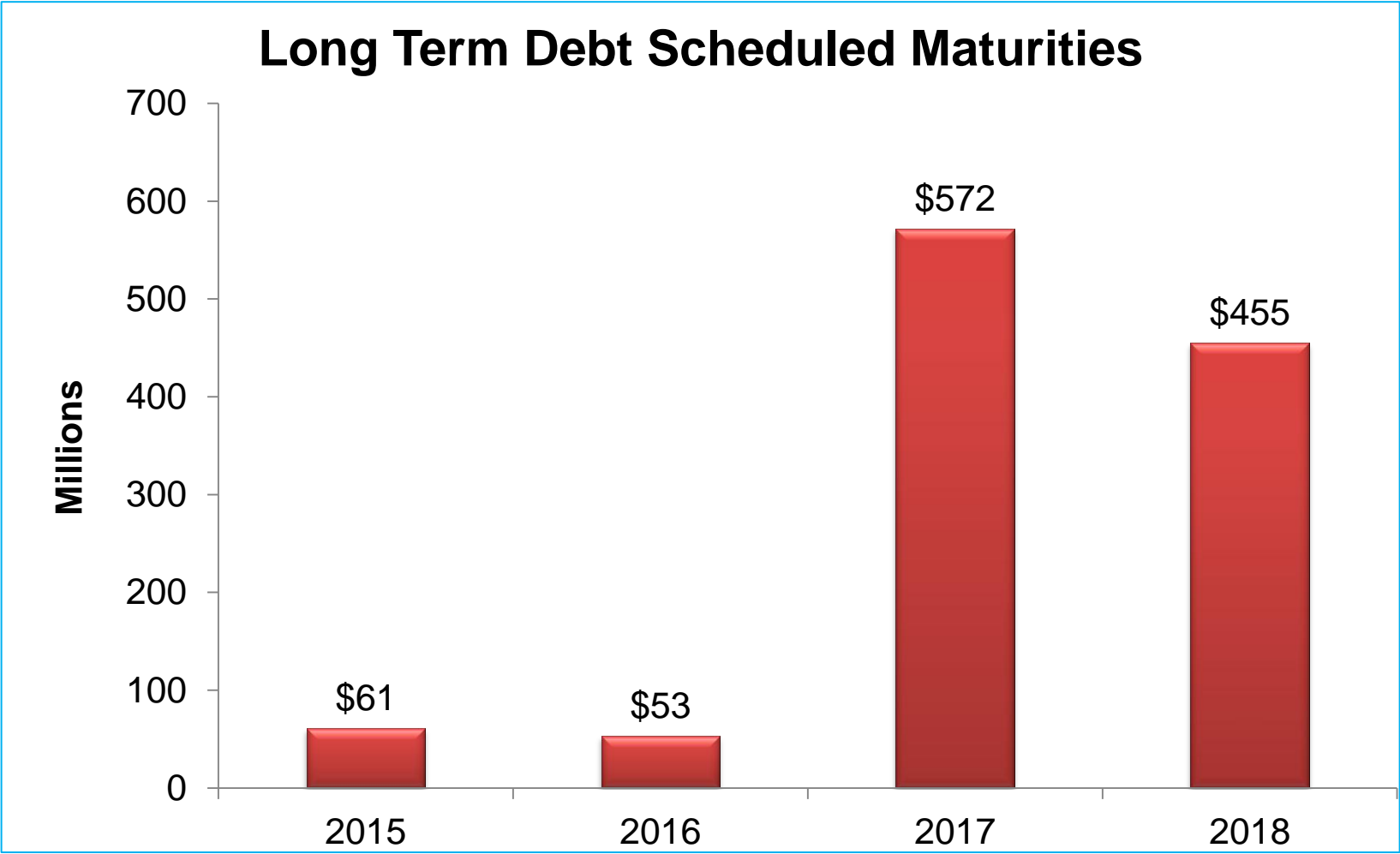


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Equity/Total Capitalization	46%	46%	47%	47%
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# West Virginia Update: Independent Comments Around West Virginia American Water's Actions During The Freedom Industries Chemical Spill

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Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

August 2015

Home News Cops and Courts Sports Opinion Business Food and Livin

A row of social media sharing icons for Google+, Facebook, Twitter, Google, Tumblr, LinkedIn, Pinterest, Email, and Print.

Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."

# Regulatory Filings Focused On Infrastructure Investments

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## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
New Jersey	Docket No. WR15010035	1/9/2015	\$66.2		10.75%	\$2,405.5
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	35.6	(a)	10.75%	540.0
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6
			<b>\$127.0</b>			<b>\$4,028.1</b>

## Rates Effective since July 1, 2014

	Date Effective	Revenue Increase		Comments
<b>B. Step Increases</b>				
California	Various	1.9	(c)	Final Step
		<b>\$1.9</b>		
<b>C. Infrastructure Charges</b>				
New Jersey (DSIC)	7/1/2014	7.4		
Missouri (ISRS)	12/31/2014	9.0		
New Jersey (DSIC)	1/1/2015	9.4		
Illinois (QIP)	1/1/2015	4.9		
Illinois (QIP)	2/1/2015	1.0		
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6		
New York (SIC)	6/1/2015	0.1		
Missouri (ISRS)	6/27/2015	1.9		
Tennessee (QIIP, EDI & SEC)	6/30/2015	2.2		
Pennsylvania (DSIC - W & WW)	7/1/2015	4.6		
		<b>\$42.1</b>		
<b>D. Rate Cases</b>				
Indiana	1/29/2015	5.1		
California	1/1/2015	5.2	(d)	
Maryland	6/19/2015	0.5		
Kentucky WW	7/2/2015	0.2	(e)	
		<b>\$11.0</b>		

Note: See next slide for footnotes

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# Regulatory Filings: Rate Cases Update Footnotes

- (a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations
- (b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million
- (c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision
- (d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively
- (e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year

# Regulated Utilities: Rate Base & Authorized Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

	 <b>CALIFORNIA</b> <b>AMERICAN WATER</b>		 <b>ILLINOIS</b> <b>AMERICAN WATER</b>		 <b>INDIANA</b> <b>AMERICAN WATER</b>		 <b>KENTUCKY</b> <b>AMERICAN WATER</b>		 <b>MISSOURI</b> <b>AMERICAN WATER</b>	
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
	 <b>NEW JERSEY</b> <b>AMERICAN WATER</b>		 <b>NEW YORK</b> <b>AMERICAN WATER</b>		 <b>PENNSYLVANIA</b> <b>AMERICAN WATER</b>		 <b>VIRGINIA</b> <b>AMERICAN WATER</b>		 <b>WEST VIRGINIA</b> <b>AMERICAN WATER</b>	
Authorized Rate Base*	\$1,920,300		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	10.15%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	5/1/2012		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012

# Reconciliation Table: Closed & Pending Regulated Acquisitions

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Acquisitions				
2015 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
MO	2	25	9,296	9,321
NJ	1	4,500	4,500	9,000
IN	1	450		450
Total	<u>4</u>	<u>4,975</u>	<u>13,796</u>	<u>18,771</u>
Announced Pending Acquisitions*				
(As of August 6, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	5	2,590	253	2,843
IL	1	135		135
IN	1	58		58
MO	2	49	399	448
NJ	2	104	5,300	5,404
NY	1	35		35
PA	5	250	4,309	4,559
Total	<u>17</u>	<u>3,221</u>	<u>10,261</u>	<u>13,482</u>

\*Announced pending defined as awaiting financial close, Municipal and/or Regulatory approval

August 2015

# Reconciliation Tables: Adjusted Diluted Earnings Per Share From Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding



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# Institutional Investor Presentation

September 2015



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

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## American Water Overview



# American Water: The Premier Water Services Provider In North America

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## Market Statistics\*

- **\$15.6 Billion** Total Enterprise Value
- **830,000** Average Daily Trading Volume LTM
- **\$9.4 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
  - 89% Regulated, 11% Market Based
- **8.9%** Total Shareholder Return for Last 12 Months
- **2.6%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,800** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

\* Market data as of September 14, 2015, Source : FactSet

September 2015

# American Water Is Unique

*Strong Earnings & Dividend Growth*

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 Industry Leading projected **7-10%** Long Term EPS Growth  
with **0.8** Beta\*

 **9%** Dividend Growth rate Top Quartile in Utilities\*\*

 Operational Excellence Minimizes Bill Increases projected  
approximately **2%** on an average

 Commitment to Innovation & Environmental Stewardship, over  
**600** technologies examined

\*Source : FactSet 5 Yr Beta (Adjusted)

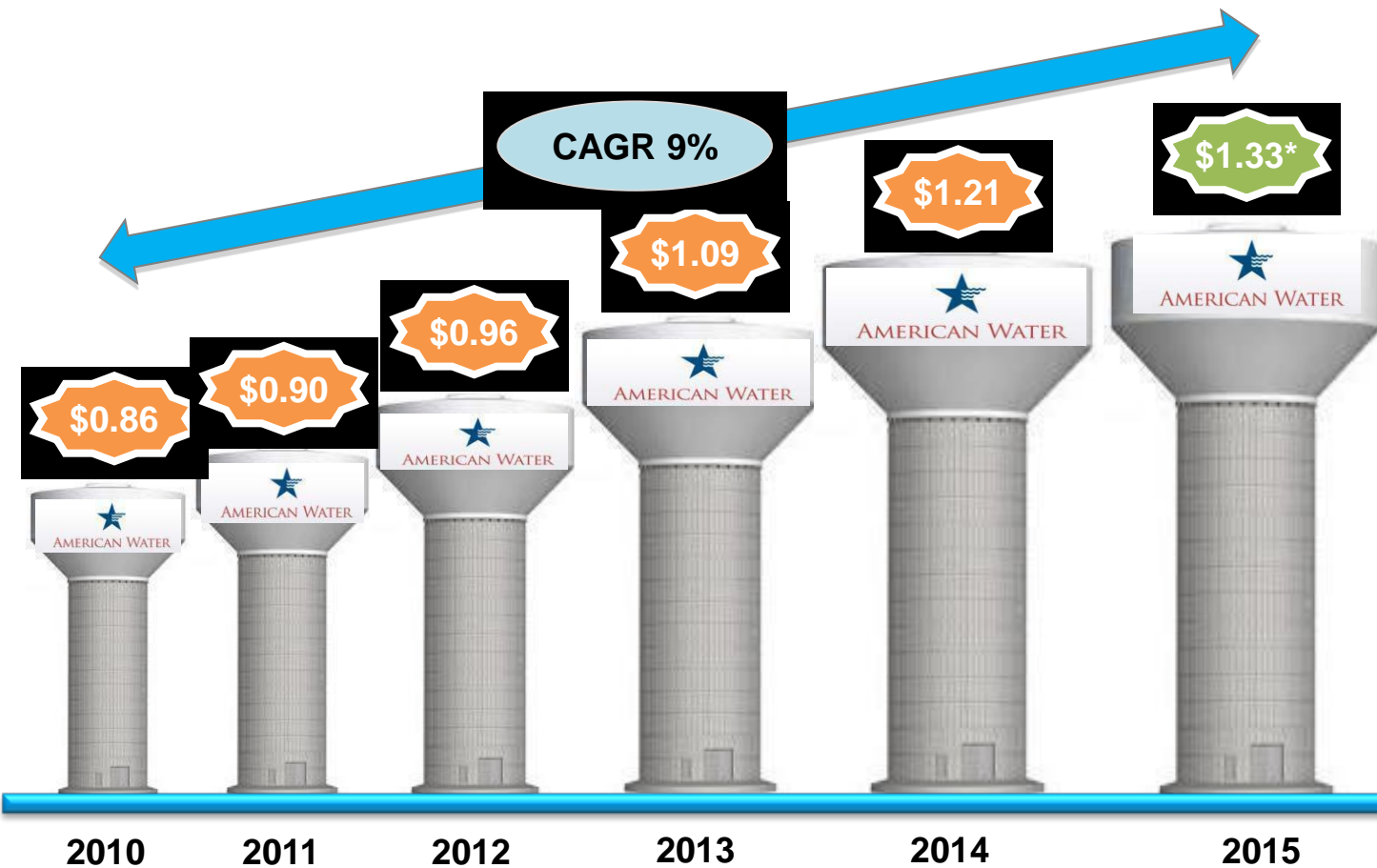
\*\*Source: FactSet: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.  
Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , ARTNA , CTWS , CWT , MSEX , SJW , WTR , YORW

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# Long History Of Consistent Dividend Growth

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- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income

**Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers\*\***

*\*Assumes fourth quarter 2015 dividend payment equal to current quarterly dividend of \$0.34 per share. Payment of fourth quarter 2015 dividend subject to Board review and approval*

*\*\*Source: Factset: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.*

*Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW*

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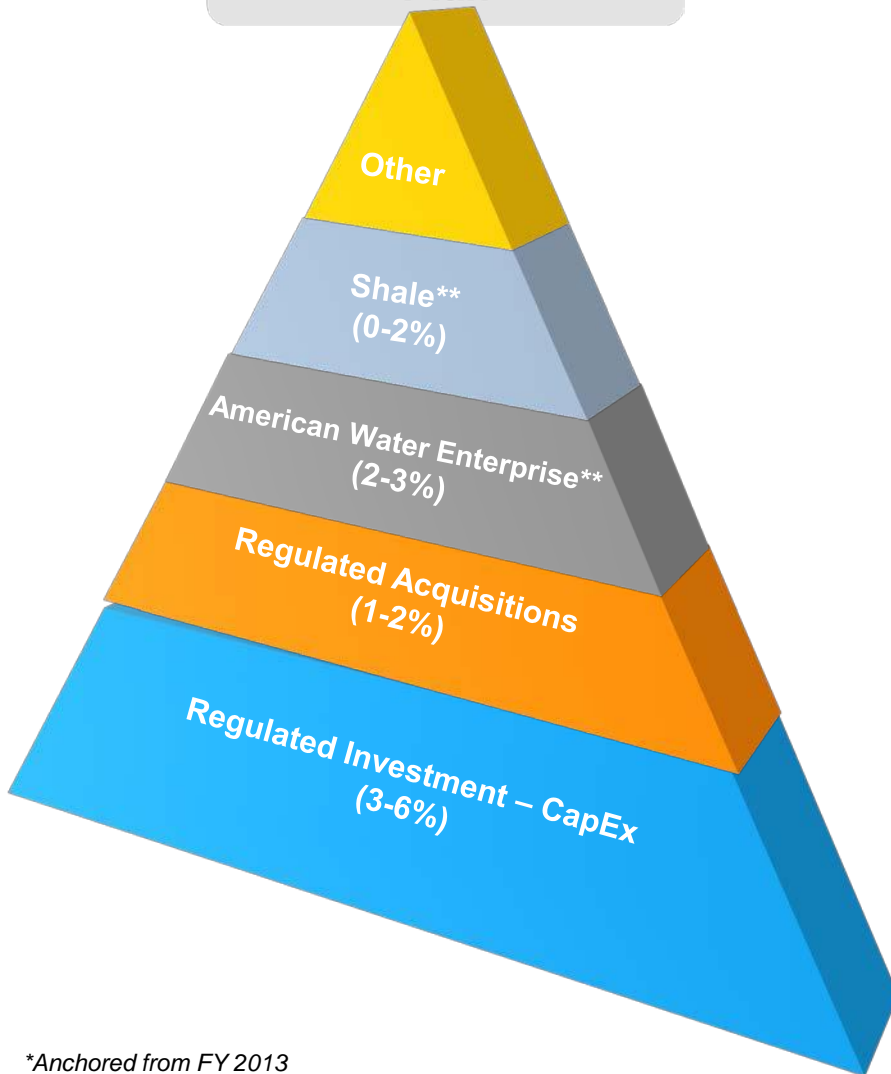
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# Our Future: Our Commitment Over The Next 5 Years

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2015 - 2019  
Plan



- Industry Leading **7-10%**  
Long Term EPS Growth\*
- \$6 billion** investment to improve infrastructure, expand water and wastewater customer base
- O&M Efficiency stretch target of **34%** by 2020, with average customer bill impacts **~2%**
- Develop shale and water-energy nexus opportunities
- Commitment to Innovation & Environmental Stewardship
- Dividend growth aligned with earnings growth, **50- 60%** target payout ratio

\*Anchored from FY 2013

\*\*Market Based Segment (MBB) includes American Water Enterprise (AWE) & Shale. AWE Includes our HOS, Military services and other businesses.

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## 2014 Water Quality Report

- **15x** better than the industry average for compliance with drinking water quality standards
- **20x** better than the industry average for meeting all drinking water requirements



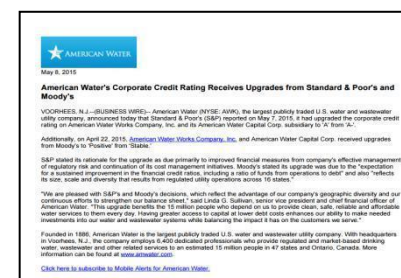
## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Rating Upgrade

- Standard & Poor's (S&P) reported on May 7, 2015, it had upgraded American Water's corporate credit rating to 'A' from 'A-'
- Additionally, on August 7, 2015, the company received rating upgrade from Moody's to 'A3' from 'Baa1'





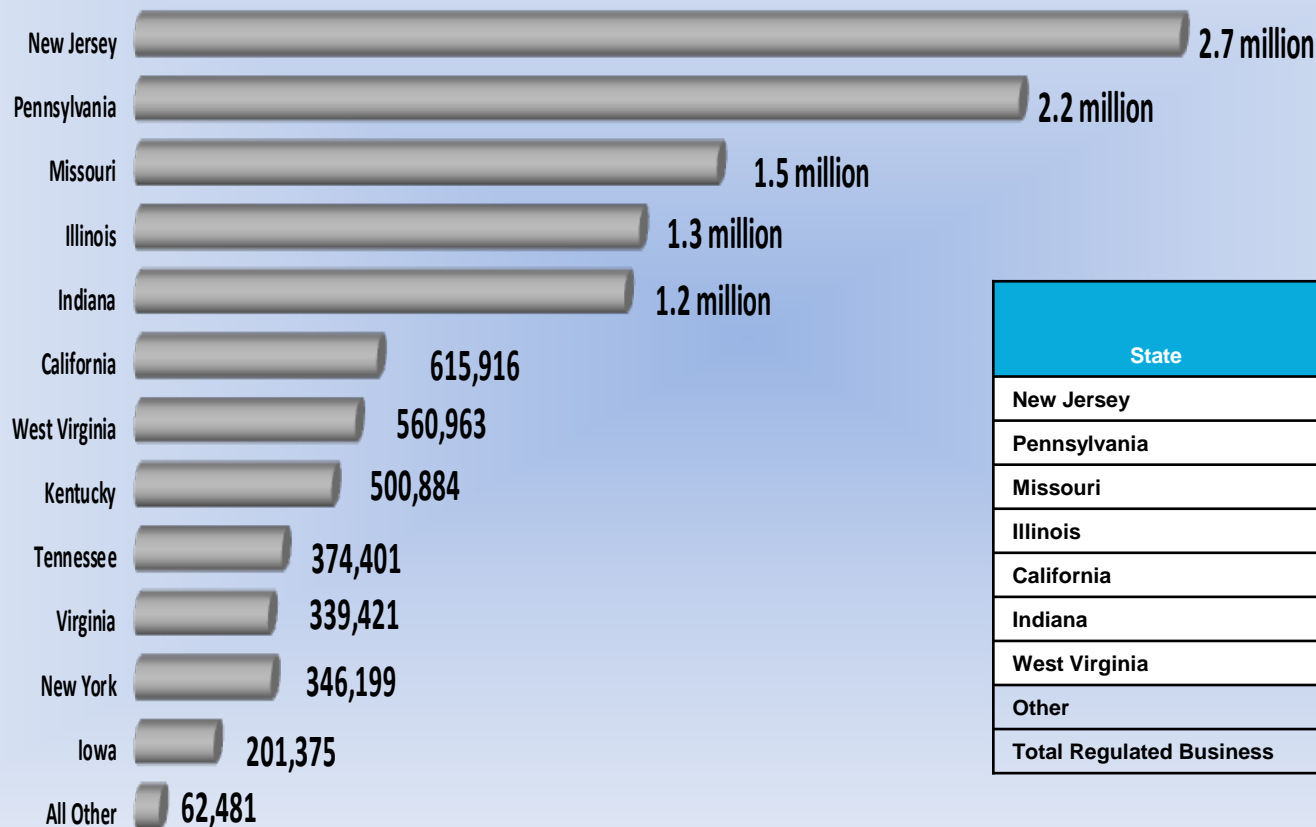
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## Our Regulated Business



## States Where We Operate

(approximate population served by state )\*

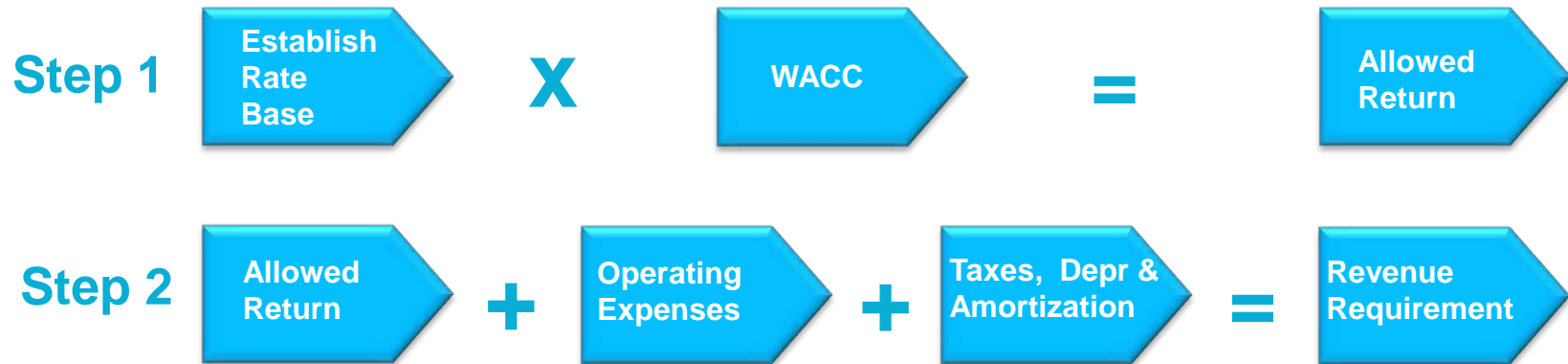


State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
<b>Total Regulated Business</b>	<b>\$2,674.3</b>	<b>100%</b>

\* Population data for FY 2014

# The Rate Of Return Regulation In The United States

Prudent Investment Drives Need for Rate Cases



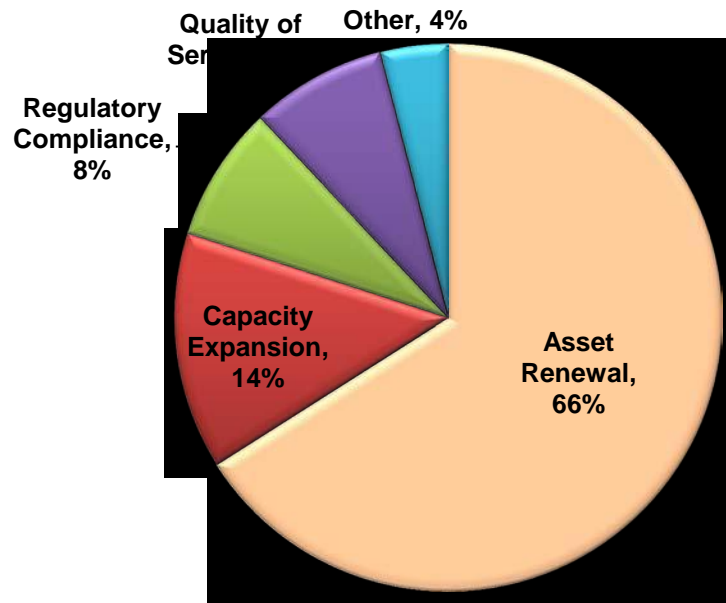
American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

# Investment In Water & Wastewater Industry Is Urgently Needed

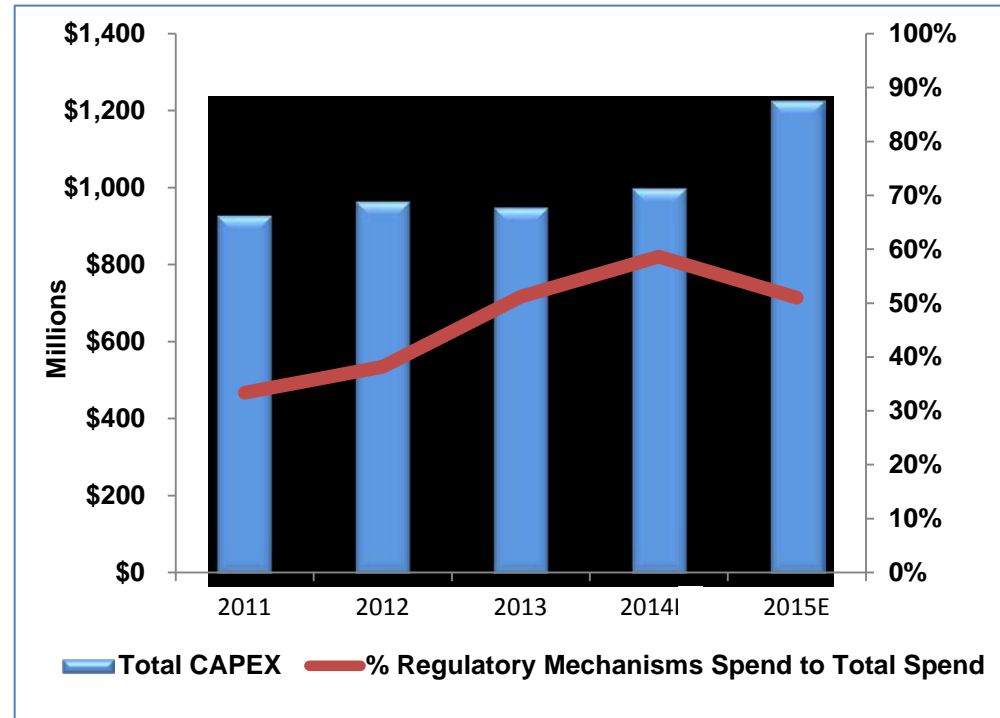
- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

# Regulatory Capital Investment Of \$5.2 Billion Over Next Five Years

2015 – 2019 Average Capital Expenditures by Purpose



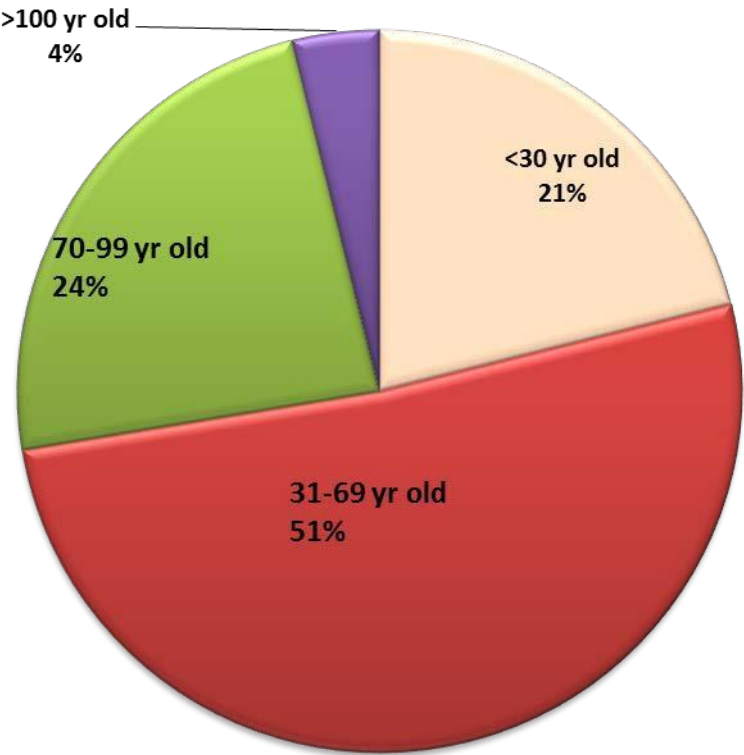
Investments covered by Regulatory Mechanisms



Note

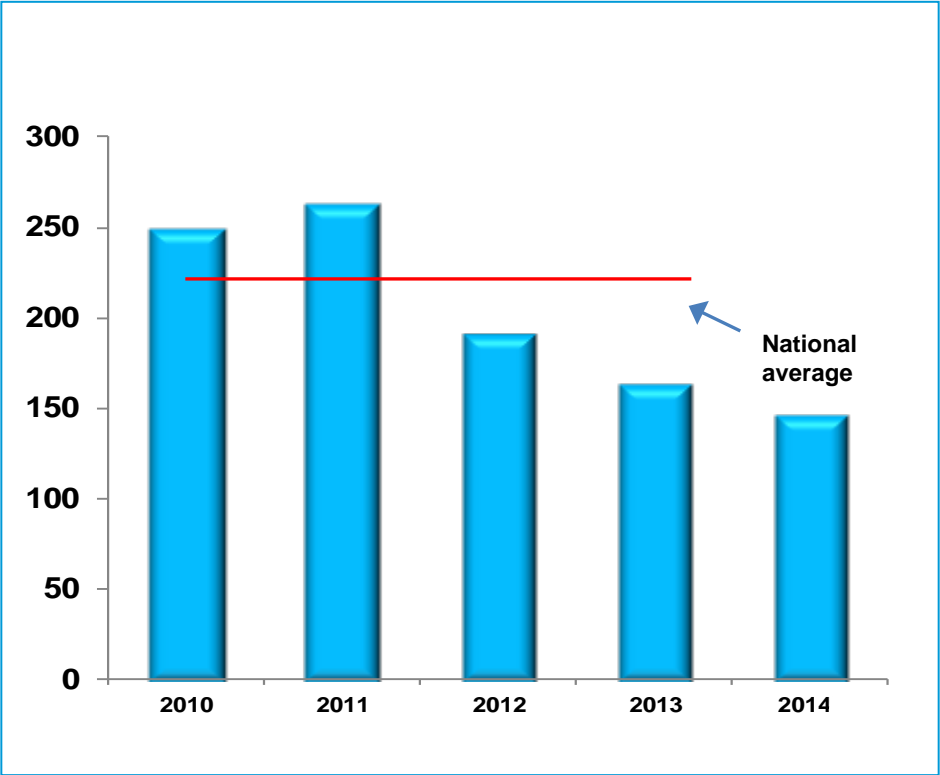
(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years

Pipe Age Distribution – AW System



Over 25% pipes are 70 years or older

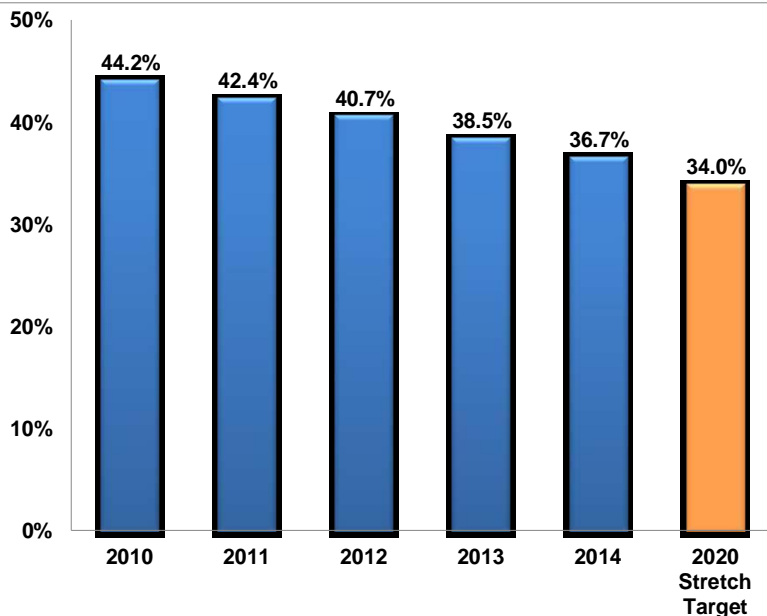
American Water Pipe Replacement Rate  
(in years)



Pipe Replacement rate is shortening

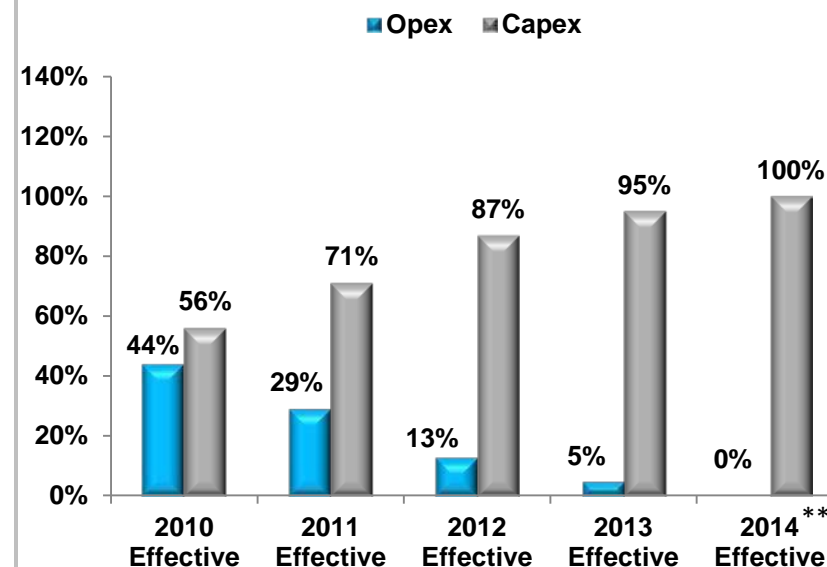
# Our Disciplined Approach To Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:

\* Approximation in states where we received black box award

\*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# We Work With State Commissions To Lower Impact Of Regulatory Lag To Increase Investments

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## Positive Policies To Reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates Recovery On Plant Not Yet In Service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
<b>NJ</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X</b>
<b>PA</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X<sup>(3)</sup></b>
<b>MO</b>	<b>X</b>		<b>X</b>	<b>X</b>		<b>X<sup>(3)</sup></b>
<b>IL</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>IN</b>	<b>X</b>	<b>X</b>		<b>X</b>		<b>X<sup>(3)</sup></b>
<b>WV</b>				<b>X</b>		
<b>CA</b>		<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>
<b>KY</b>		<b>X</b>		<b>X</b>	<b>X</b>	
<b>NY</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X<sup>(2)</sup></b>	<b>X</b>
<b>TN</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X<sup>(3)</sup></b>
<b>VA</b>	<b>X<sup>(4)</sup></b>	<b>X</b>	<b>X</b>		<b>X</b>	
<b>IA</b>				<b>X</b>		
<b>HI</b>		<b>X</b>				
<b>MD</b>			<b>X</b>	<b>X</b>		<b>X</b>

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was allowed in the case, the actual declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.

(4) A rule making petition is on the docket with the State Corporation Commission (VA) to authorize a WWISC -Water/ Waste Water Infrastructure Surcharge (A DSIC mechanism).

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## Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



## Distressed Utility Acquisition Bill:

- House Enrolled Act 1319 , Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

## Other States With Similar Acquisition Adjustments:



# Our Role In California

## Investing in Future of Water

- Total capital Investment ~\$300 million
- Desalination Plant : 6.4 or 9.6 MGD
- Heated Metal Oxide Particles (HMOPs)
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery



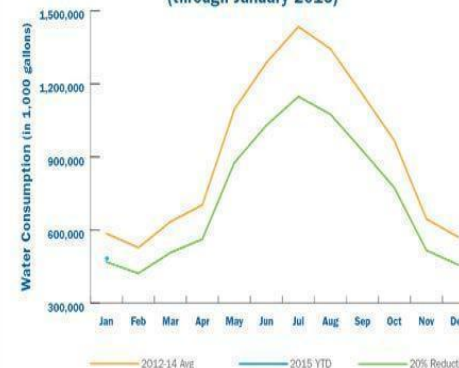
## Leading with Conservation

- Record drought, 25% mandatory statewide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
  - AMI Pilot in Monterey, monitor daily water consumption
  - Customers can sign up for text or email alert
- Usage decoupled from earnings

## CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

### Customer Conservation Progress Current Consumption vs. 20% Reduction (through January 2015)



Conservation  
**GOAL: 20%**

Actual conservation:  
**17%**  
for Jan 2015

Water Waste Reports  
Received:

January: **6**  
Year to Date: **6**

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## Our Market-Based Business



# Market Based Businesses Generate Complementary Opportunities For Growth

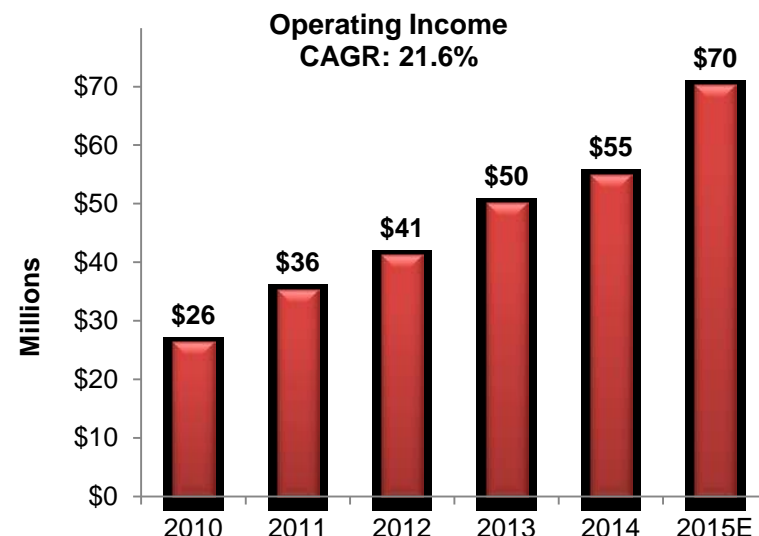
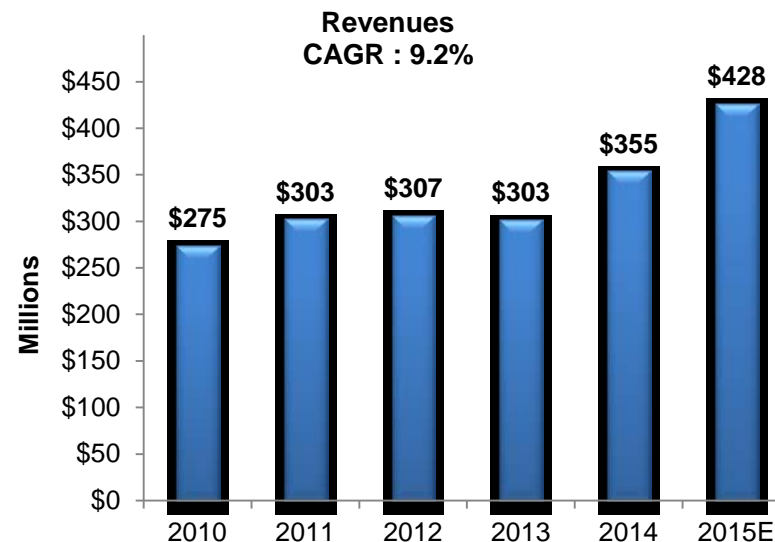
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## Lines of Business

- **Homeowner Services (HOS)**
- **Contract Operations**
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets



Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

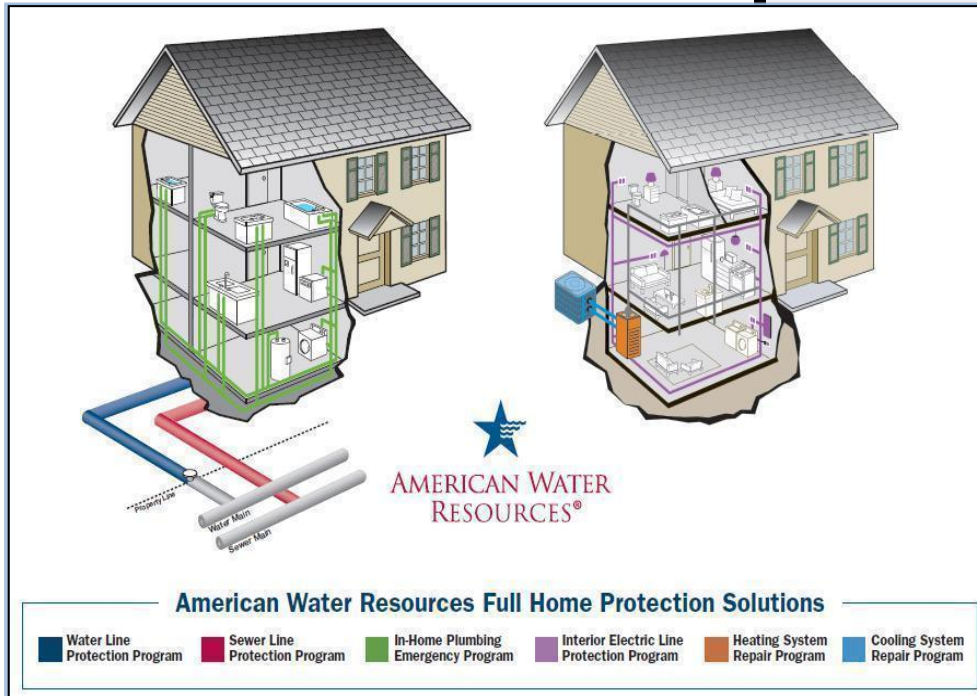
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# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***



# Military Services: Overall Growth Strategy

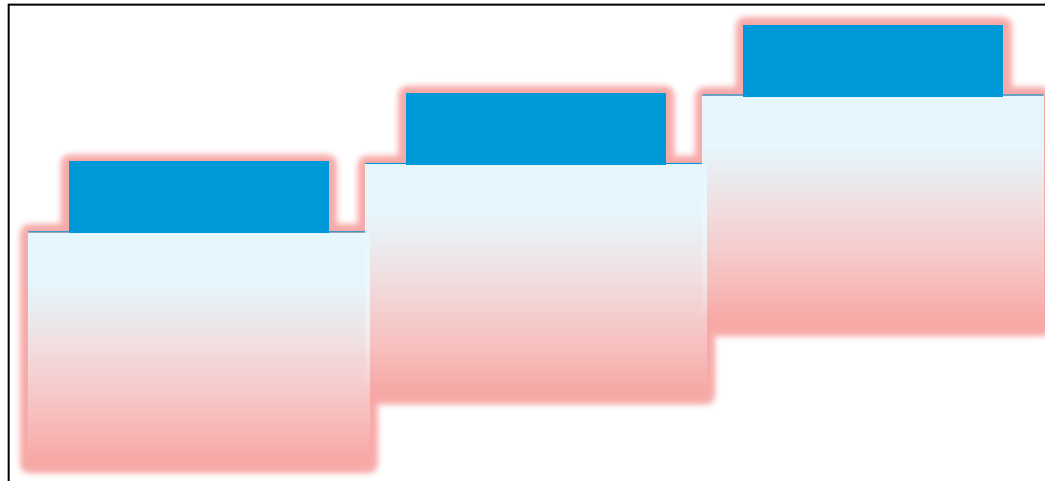
## Add New Customers

### Current Bases

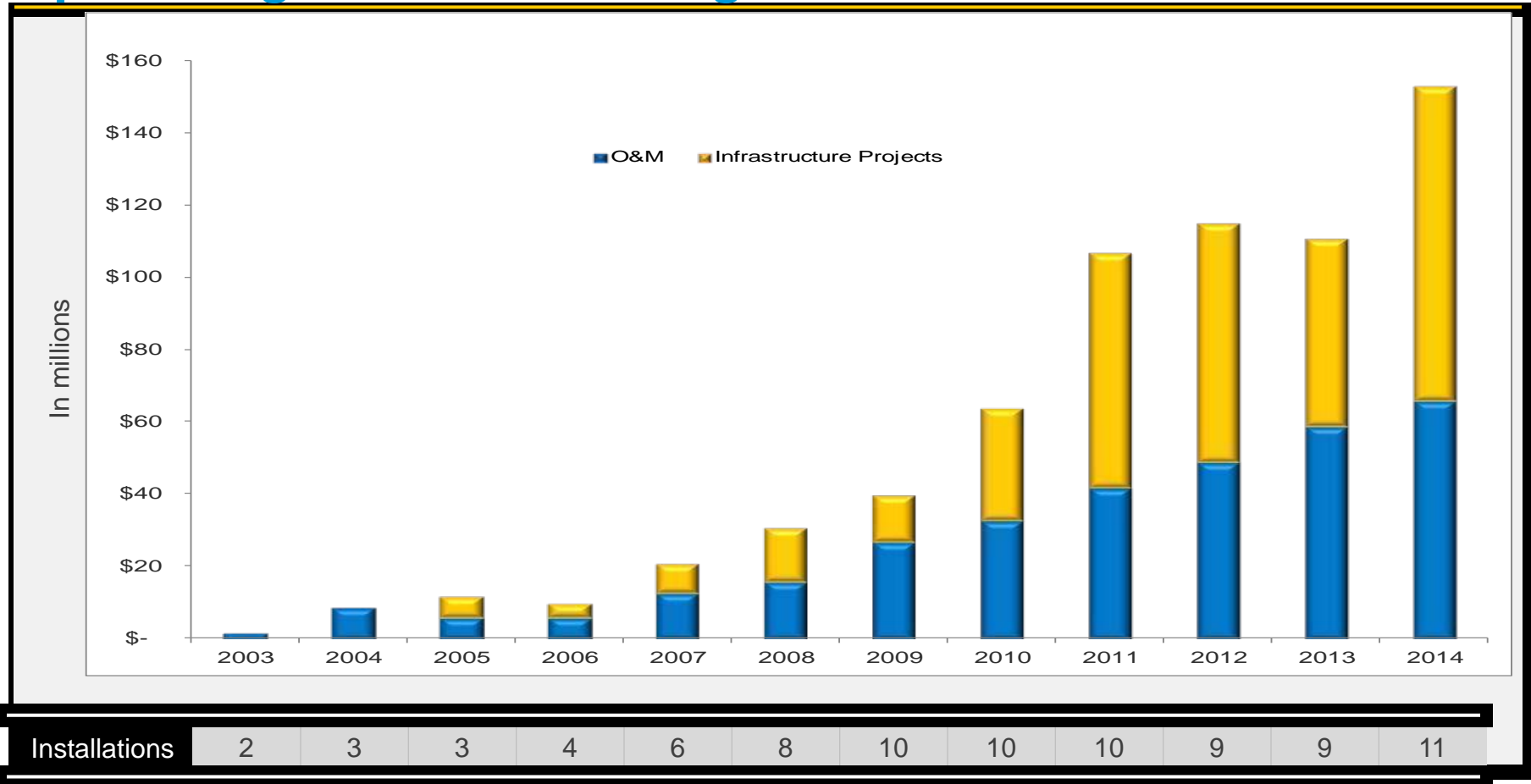
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Leavenworth (39 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)

## Optimize Existing Bases

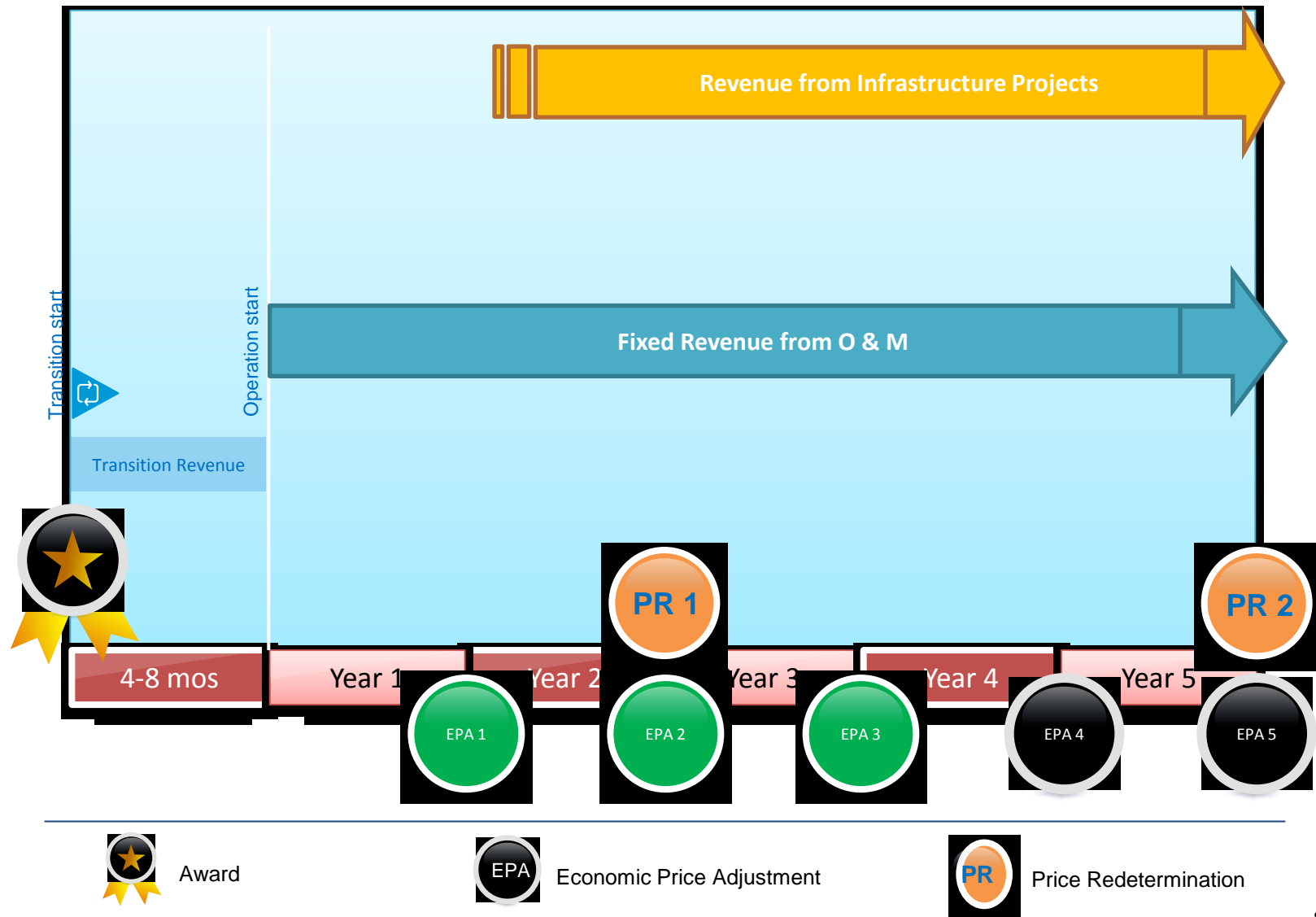
1. Price Redeterminations
2. Infrastructure Modifications



# Military Services: Growth By Adding New Bases & Optimizing Value At Existing Bases

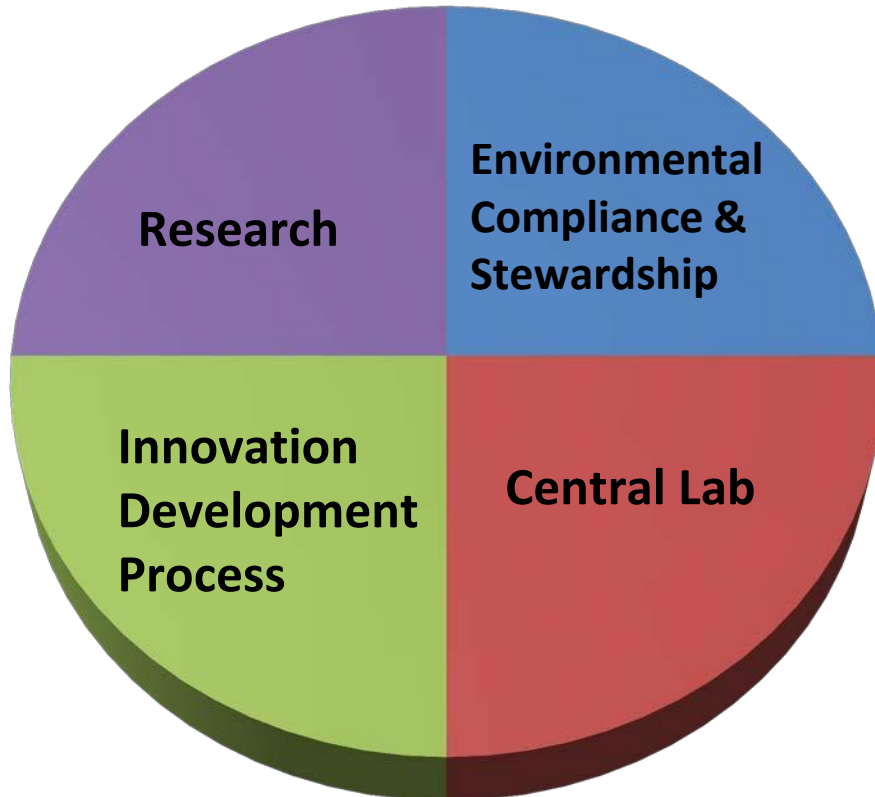


# Military Services: Typical Revenue – First 5 Years Of Contract





# INNOVATION AND ENVIRONMENTAL STEWARDSHIP



## Interdisciplinary team of 40 people:

- Engineers, Chemists, Microbiologist & Environmental Scientists

## Objectives:

- Address emerging water quality or regulatory issues
- Evaluate & recommend new technology to enhance operations
- Support operations with technical, functional expertise

## Research Facts:

- More than 150 awards received for superior water quality
- Nearly 80 competitive research grants awarded
- Over \$32M total grant value
- Five US based patents

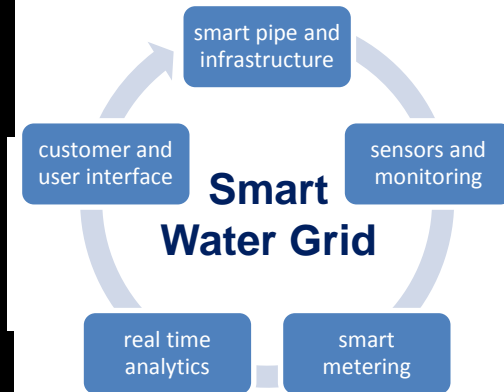
# The Water-Energy Nexus: Challenges & Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> <li>• NPXPRESS</li> <li>• Pressure Management Research</li> <li>• Pump Efficiencies</li> <li>• Demand Side Energy Management</li> </ul>
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> <li>• Smart Water Grid</li> <li>• Saving Water to Save Energy</li> <li>• Resiliency Projects</li> </ul>
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> <li>• One Water Philosophy</li> <li>• Desalination</li> <li>• Recycled Water</li> </ul>
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> <li>• Shale Gas Production</li> </ul>
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> <li>• Enbala</li> <li>• Solar Power</li> <li>• Wind Power Purchases</li> </ul>

Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"

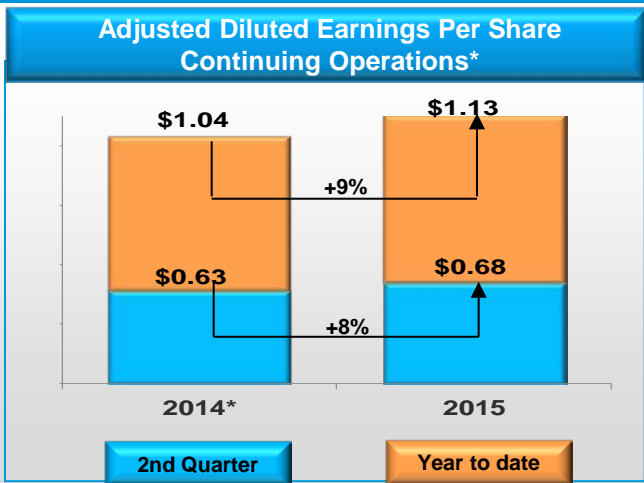
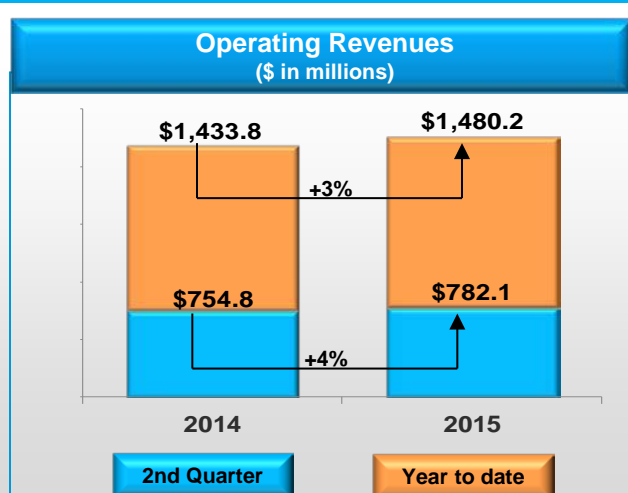


# Our Future Results Are Anchored On 5 Central Themes With Customers At The Center Of All We Do



# Continued Solid Revenue & EPS Growth In 2Q 2015

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## Second Quarter EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	<u>2015</u>
Regulated Segment	\$0.68
Market-Based Segment	\$0.06
Other (Includes Parent interest & other)	(\$0.06)
<b>Total EPS</b>	<u><b>\$0.68</b></u>

## Year To Date EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	<u>2015</u>
Regulated Segment	\$1.13
Market-Based Segment	\$0.10
Other (Includes Parent interest & other)	(\$0.10)
<b>Total EPS</b>	<u><b>\$1.13</b></u>

Note: \* Reported 2014 Q2 EPS of \$0.61 and YTD EPS of \$ 1.00 were adjusted by \$0.02 in Q2 2014, and \$0.04 YTD, respectively, for the impact of Freedom Industries' chemical spill in WV Segment information rounded for presentation purposes

September 2015

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**Greg Panagos**

Vice President – Investor Relations

[Gregory.panagos@amwater.com](mailto:Gregory.panagos@amwater.com)

**AWK  
LISTED  
NYSE**



**Durgesh Chopra**

Director – Investor Relations

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Tel: 856-566-4005

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**Q3 2015 Earnings Call: November 5, 2015, 9 a.m. ET**

**Analyst Day: December 15, 2015**

NYSE: AWK

## Appendix



# Reconciliation Table – Regulated O&M Efficiency Ratio

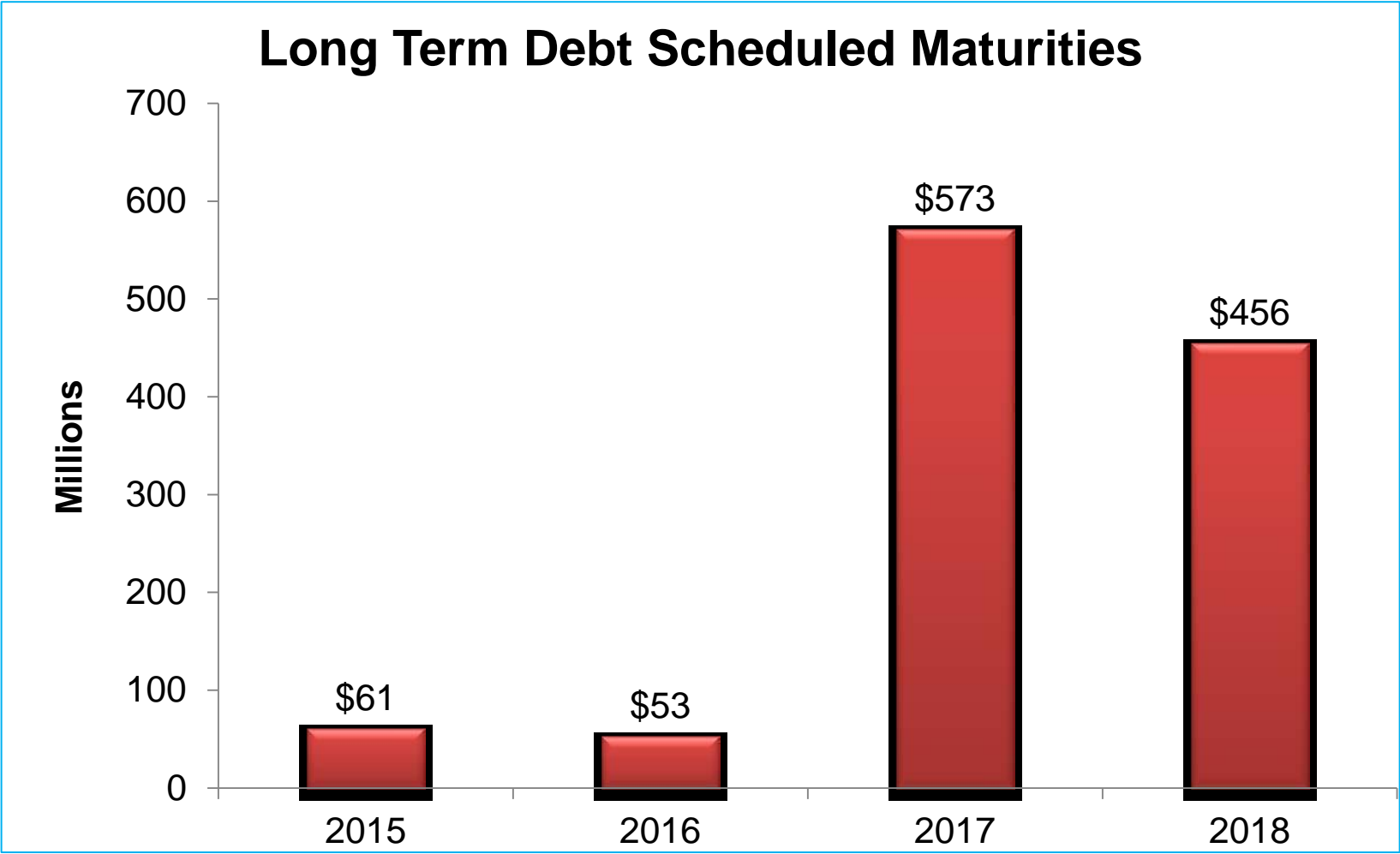
KAWR\_AGDR1\_NUM016\_032416

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Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	FY				
(\$ in thousands)	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

September 2015





# West Virginia Update: Independent Comments Around West Virginia American Water's Actions During The Freedom Industries Chemical Spill

KAW R-AGDR1 NUM016 032416  
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Home News Cops and Courts Sports Opinion Business Food and Livin



Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."



Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance.***

***They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

September 2015

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# Regulatory Filings Focused On Infrastructure Investments

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## Rate Cases Awaiting Final Order

### A. Rate Cases Filed (\$ in Millions)

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	\$35.6	(a)	10.75%	\$540.0
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6
			<b>\$60.8</b>			<b>\$1,622.6</b>

## Rates Effective since July 1, 2014

	Date Effective	Revenue Increase		Comments
<b>B. Step Increases (\$ in Millions)</b>				
California	Various	\$1.9	(c)	Final Step
		<b>\$1.9</b>		
<b>C. Infrastructure Charges (\$ in Millions)</b>				
New Jersey (DSIC)	7/1/2014	\$7.4		
Missouri (ISRS)	12/31/2014	9.0		
New Jersey (DSIC)	1/1/2015	9.4		
Illinois (QIP)	1/1/2015	4.9		
Illinois (QIP)	2/1/2015	1.0		
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6		
New York (SIC)	6/1/2015	0.1		
Missouri (ISRS)	6/27/2015	1.9		
Tennessee (QIIP, EDI & SEC)	6/30/2015	2.2		
Pennsylvania (DSIC - W & WW)	7/1/2015	4.6		
		<b>\$42.1</b>		
<b>D. Rate Cases (\$ in Millions)</b>				
Indiana	1/29/2015	\$5.1		
California	1/1/2015	5.2	(d)	
Maryland	6/19/2015	0.5		
Kentucky WW	7/2/2015	0.2	(e)	
New Jersey	9/21/2015	22.0		
		<b>\$33.0</b>		

Note: See next slide for footnotes

September 2015

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# Regulatory Filings: Rate Cases Update Footnotes

- (a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.
- (b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million.
- (c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.
- (d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.
- (e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year.

# Regulated Utilities: Rate Base & Authorized Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries



Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	(g)
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	

Authorized Rate Base*	\$2,386,790		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	9.75%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	9/21/2015		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

# Reconciliation Table: Closed & Pending Regulated Acquisitions

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Acquisitions				
2015 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
MO	2	25	9,296	9,321
NJ	1	4,500	4,500	9,000
IN	1	450		450
Total	<u>4</u>	<u>4,975</u>	<u>13,796</u>	<u>18,771</u>
Announced Pending Acquisitions*				
(As of August 6, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	5	2,590	253	2,843
IL	1	135		135
IN	1	58		58
MO	2	49	399	448
NJ	2	104	5,300	5,404
NY	1	35		35
PA	5	250	4,309	4,559
Total	<u>17</u>	<u>3,221</u>	<u>10,261</u>	<u>13,482</u>

\*Announced pending defined as awaiting financial close, Municipal and/or Regulatory approval

# Reconciliation Tables: Adjusted Diluted Earnings Per Share From Continuing Operations

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Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding

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## 2015 Third-Quarter Earnings Conference Call

November 5, 2015

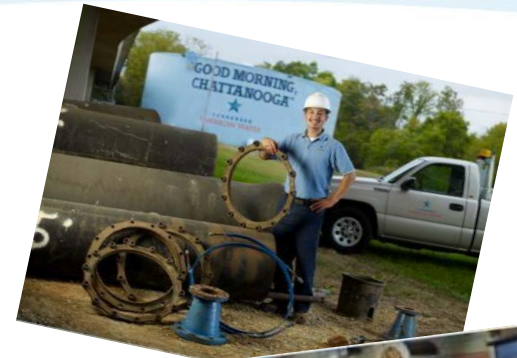




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**Greg Panagos**  
**Vice President of Investor Relations**





# Forward-Looking Statements

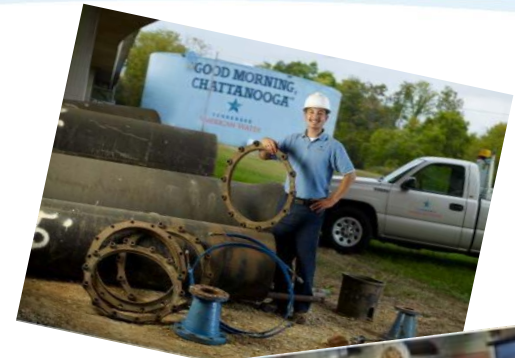
Certain statements in this presentation including, without limitation, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; environmental costs and liabilities associated with the operations of Keystone Clearwater Solutions, LLC; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; impairments associated with American Water's goodwill; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

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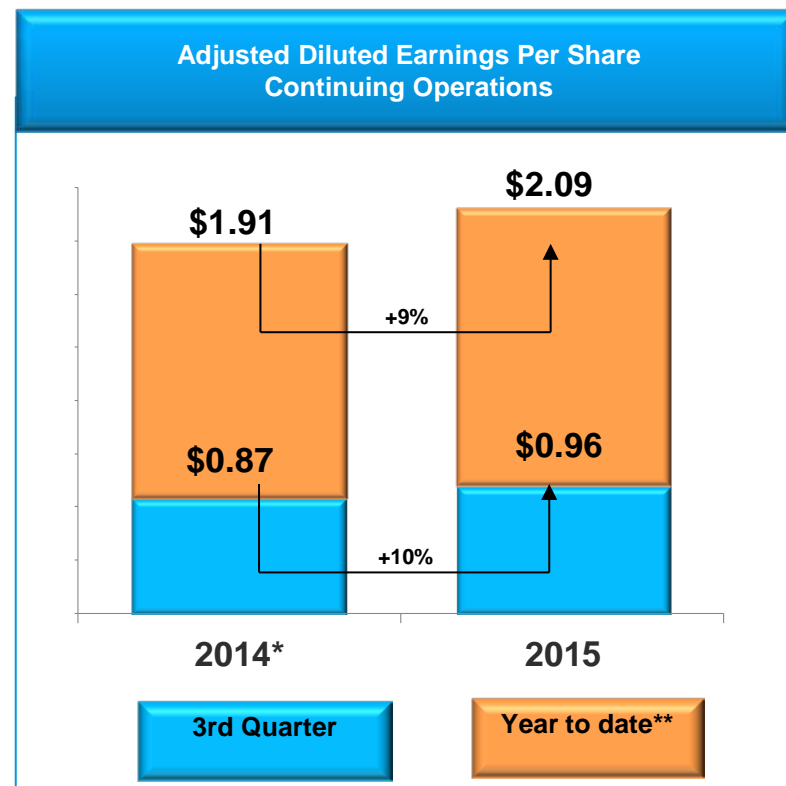


**Susan Story**  
**President and Chief Executive Officer**



# Strong 2015 Third Quarter Results

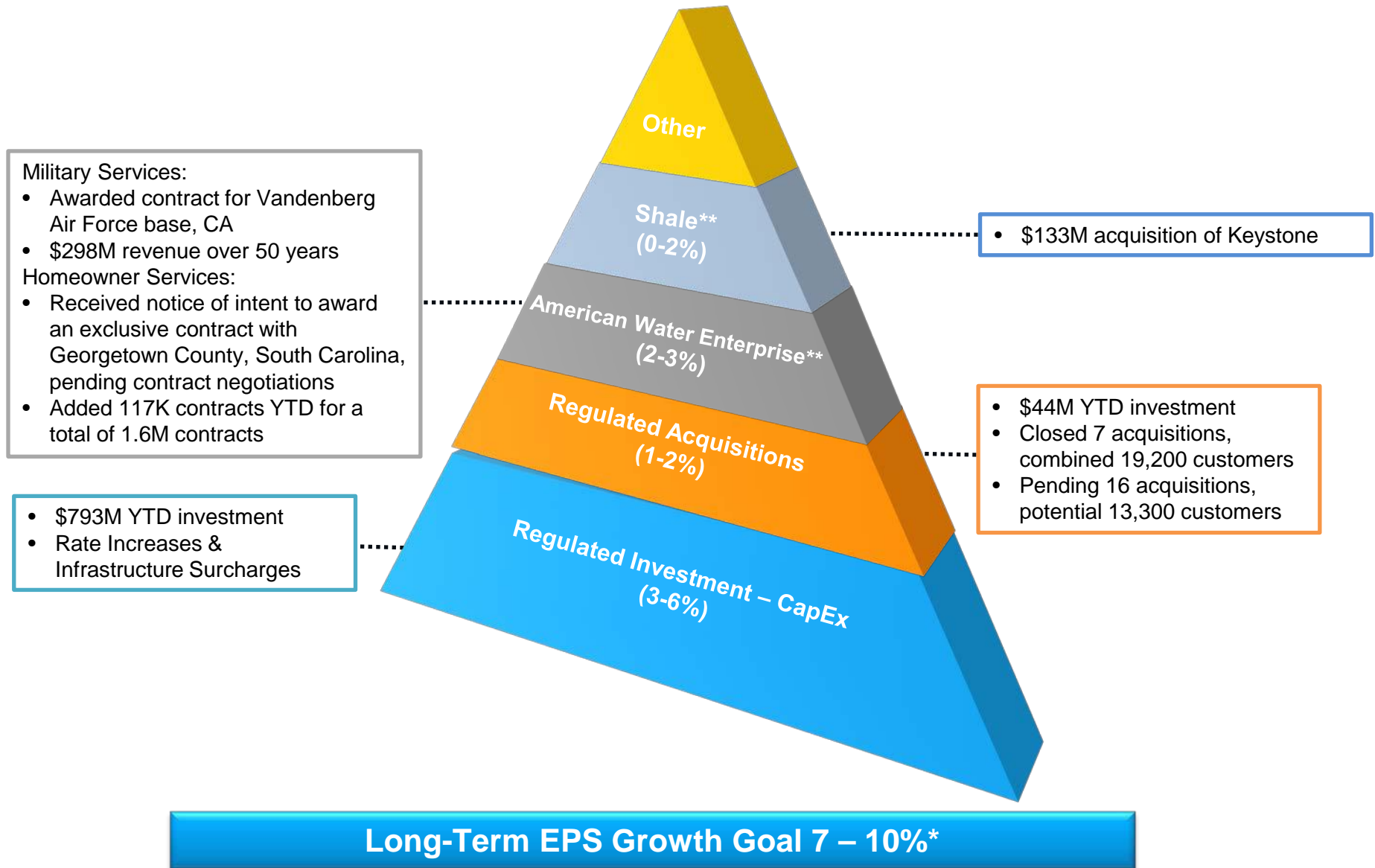
- ✓ Continued to execute our core strategies
- ✓ On track towards achieving 7 to 10% EPS growth through 2019
- ✓ Narrowing 2015 Guidance to \$2.60 to \$2.65



Note: \*Reported 2014 YTD EPS of \$1.87 was adjusted by \$0.04 for the after-tax impact of the Freedom Industries chemical spill in WV.

\*\* Throughout this presentation Year To Date (YTD) refers to nine months ended September 30, 2014 or nine months ended September 30, 2015 as applicable.

# YTD Results On Track With Execution Of Our Long Term Strategy



\*2015 – 2019 EPS growth goal of 7-10% anchored from FY 2013 adjusted for Debt Tender Offer.

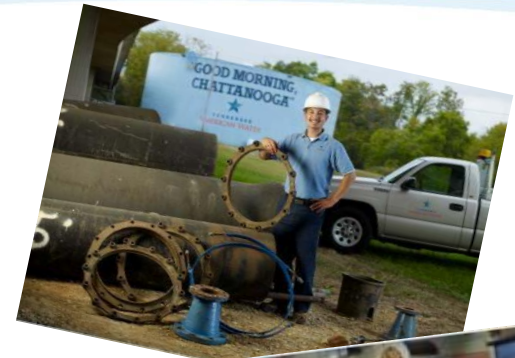
\*\*Market-Based Businesses (MBB) includes American Water Enterprise (AWE) & Shale. AWE Includes our HOS, Military services and other businesses.

November 2015

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**Walter Lynch**  
**President and Chief Operating Officer**  
**Regulated Operations**

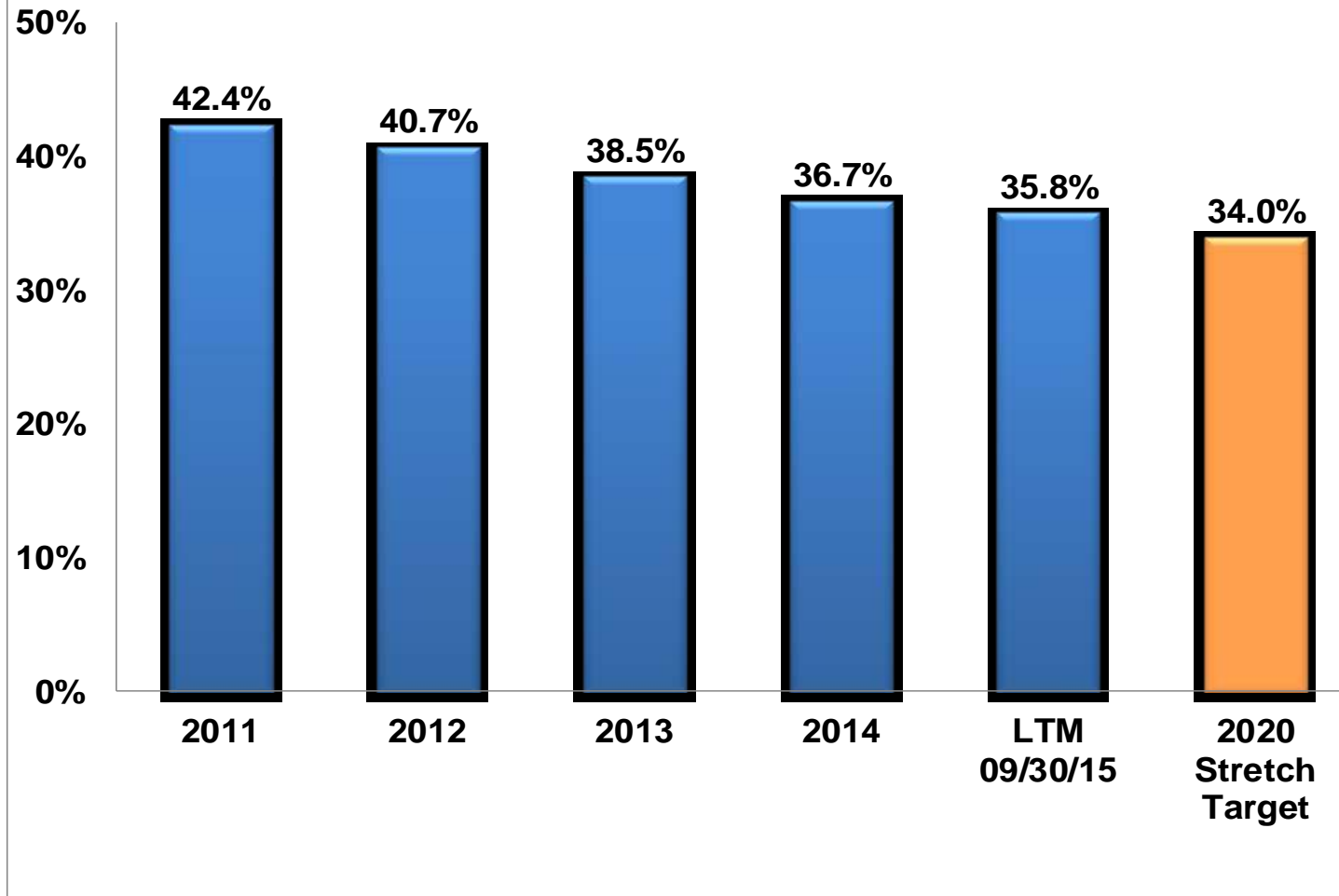


# On Track To Hit 34% Stretch Target By 2020

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## O&M Efficiency Ratio



Note:  
O&M Efficiency Ratio – Non-GAAP measure – See appendix for reconciliation

November 2015

# Regulated Businesses Update

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## New Jersey American rate case order: (Effective Sept. 21, 2015)

- \$22M revenues (3% increase, ROE 9.75%)
- Primarily driven by more than \$775 million investment in assets
- \$19M reduction in operating costs, supported ~\$125 million of the investment



## Virginia American rate case filing:

- \$8.7M revenues requested
- Primarily driven by ~\$53 million of investment since 2012
- 2% reduction in operating expenses since 2012



## Drought Update:

- 5 out of 6 districts meeting state mandated reduction targets
- Stage 3 conservation measures in Ventura County

Desalination Project Update: Amendment approved to operate a test slant well



## Weather Update:

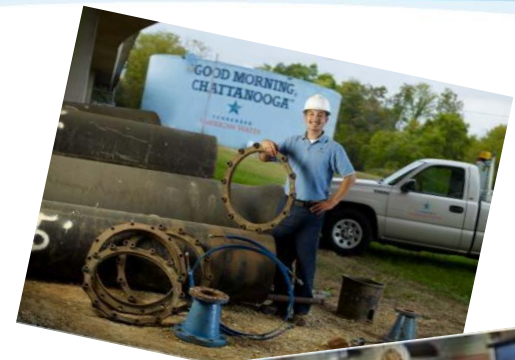
- No net material weather impact in Q3 2015
- Higher than normal precipitation in the Midwest was offset by dryer than normal conditions in the Northeast



NYSE: AWK



**Linda Sullivan**  
**Senior Vice President**  
**and Chief Financial Officer**

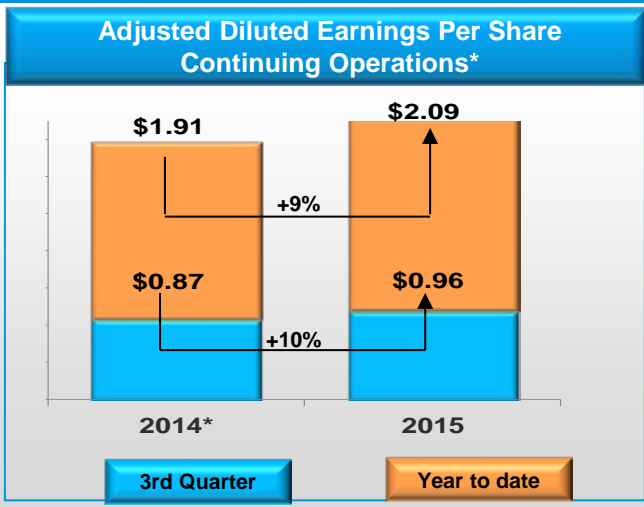
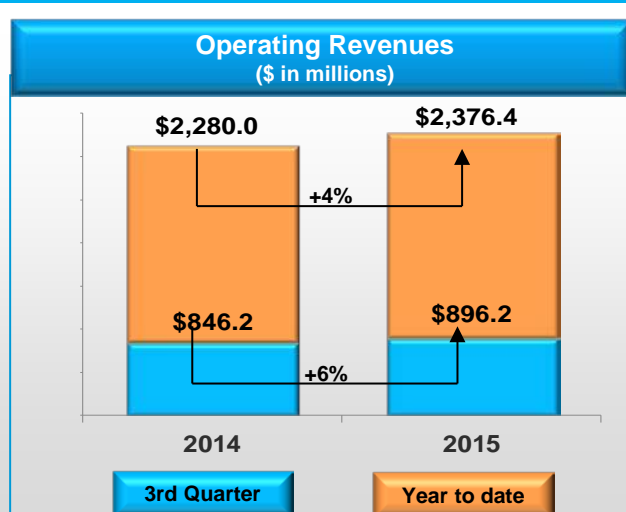




# Continued Strong Revenue & EPS Growth

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## Third Quarter EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

**2015**

Regulated Businesses	\$0.97
Market-Based Businesses	\$0.07
Other (Includes Parent interest & other)	(\$0.08)

<b>Total EPS</b>	<b>\$0.96</b>
------------------	---------------

## Year To Date EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

**2015**

Regulated Businesses	\$2.09
Market-Based Businesses	\$0.17
Other (Includes Parent interest & other)	(\$0.17)

<b>Total EPS</b>	<b>\$2.09</b>
------------------	---------------

Note: \*Reported 2014 YTD EPS of \$1.87 was adjusted by \$0.04 for the after-tax impact of the Freedom Industries chemical spill in WV.

Segment information rounded for presentation purposes

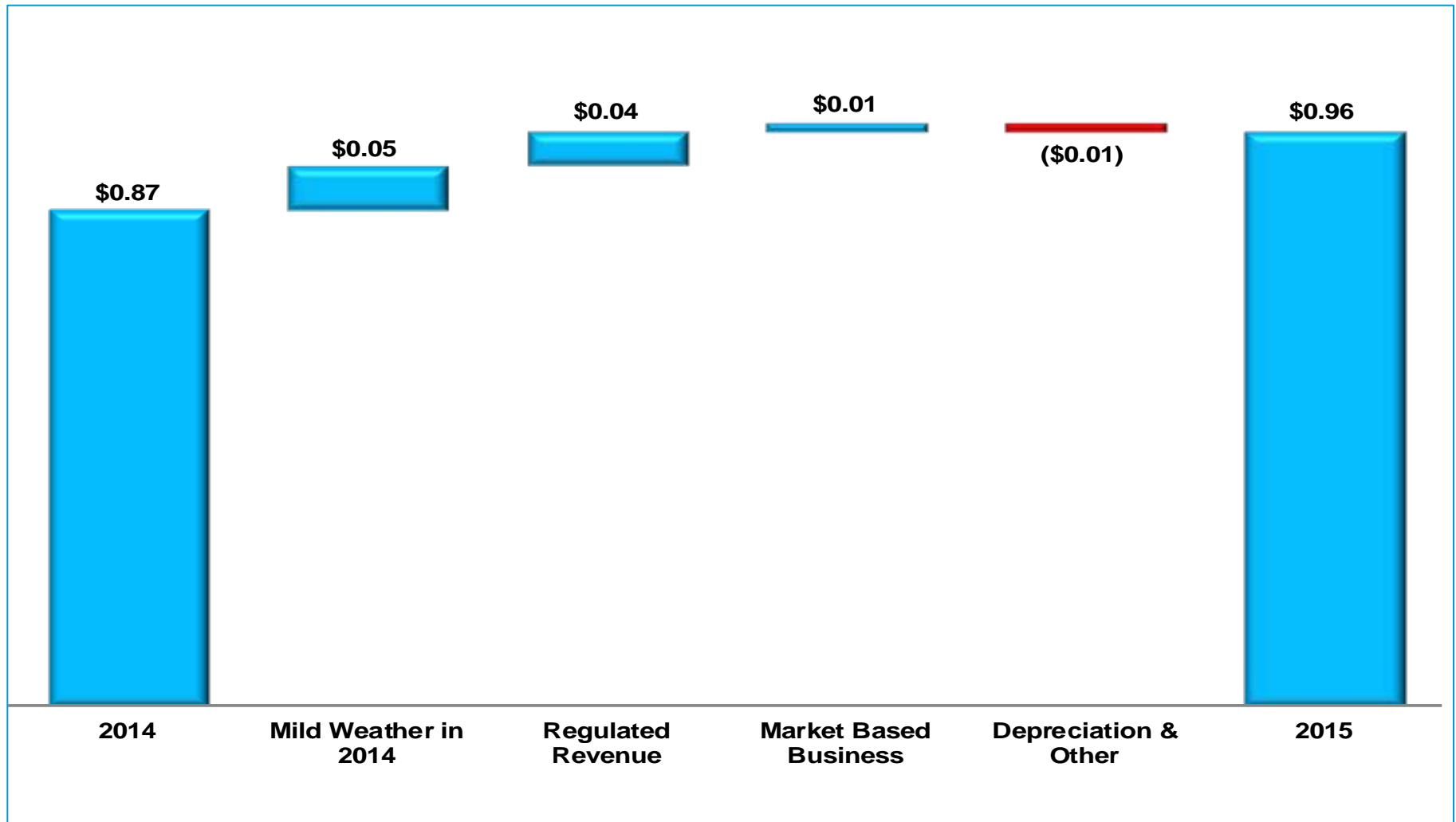
November 2015

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## 3Q Earnings Growth – Higher Regulated & MBB Revenues



# Regulatory Filings Focused On Infrastructure Investments

KAW R AGDR1 NUM016 032416

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## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	\$35.6	(a)	10.75%	\$540.0
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6
Virginia	Case No. 2015-00097	10/30/2015	8.7		10.75%	162.2
			<b>\$69.5</b>			<b>\$1,784.8</b>

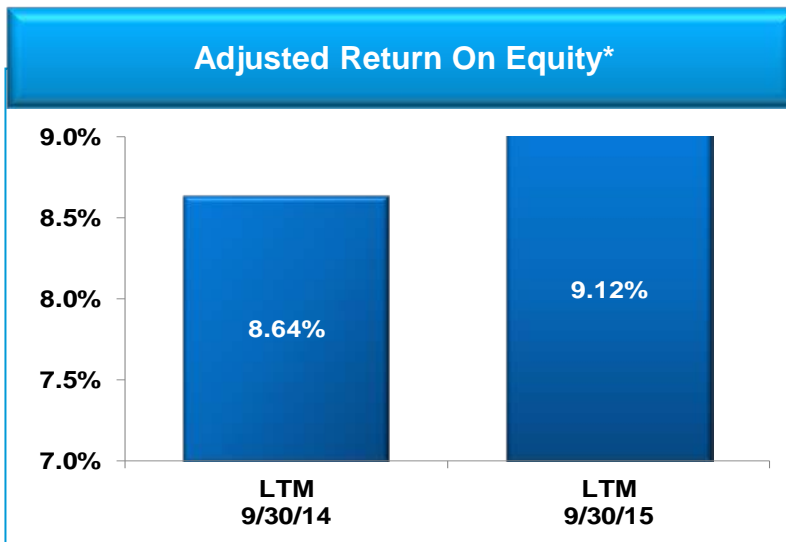
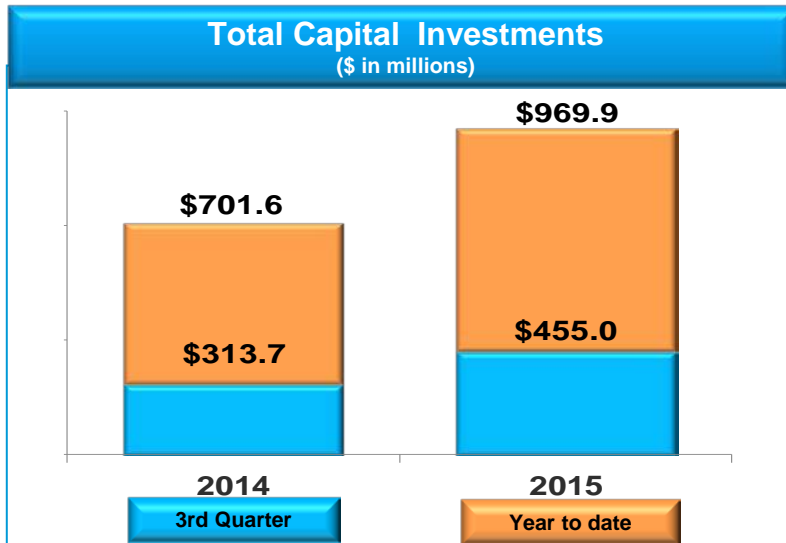
## Rates Effective since October 1, 2014

	Date Effective	Revenue Increase		Comments
<b>B. Step Increases</b>				
California	Various	\$1.9	(c)	Final Step
		<b>\$1.9</b>		
<b>C. Infrastructure Charges</b>				
Missouri (ISRS)	12/31/2014	\$9.0		
New Jersey (DSIC)	1/1/2015	9.4		
Illinois (QIP)	1/1/2015	4.9		
Illinois (QIP)	2/1/2015	1.0		
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6		
New York (SIC)	6/1/2015	0.1		
Missouri (ISRS)	6/27/2015	1.9		
Tennessee (QIIP, EDI & SEC)	6/30/2015	2.2		
Pennsylvania (DSIC - W & WW)	7/1/2015	4.6		
Pennsylvania (DSIC - W & WW)	10/1/2015	7.8		
		<b>\$42.5</b>		
<b>D. Rate Cases</b>				
Indiana	1/29/2015	\$5.1		
California	1/1/2015	5.2	(d)	
Maryland	6/19/2015	0.5		
Kentucky WW	7/2/2015	0.2	(e)	
New Jersey	9/21/2015	22.0		
		<b>\$33.0</b>		

Note: See slide 22 in appendix for footnotes

November 2015

# Improved Financial Performance, Narrowing 2015 Guidance



~10%  
Increase In  
Quarterly  
Dividends

- Announced \$0.34 quarterly cash dividend per common share payable on Dec 1, 2015

Narrowing  
2015 EPS  
Guidance:

- \$2.60 to \$2.65

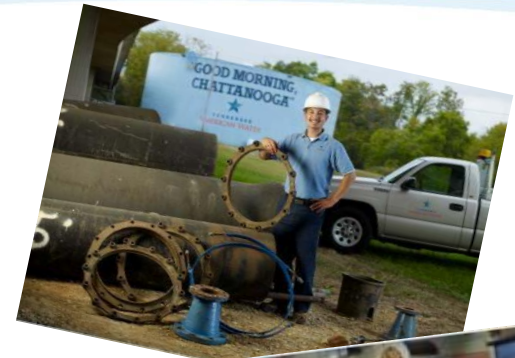
\*Adjusted Return on Equity - Non-GAAP measure. See appendix for reconciliation

November 2015

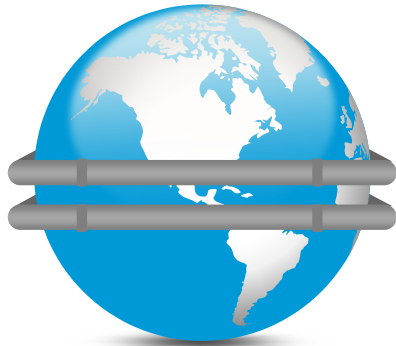
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**Susan Story**  
**President and Chief Executive Officer**



# Our Strong Performance Benefits Our Customers & Communities



How do you stretch  
**48,000 miles** of  
 pipe around the world - and back again?

One state at a time.



We replace up to  
**350 miles**  
 of pipe per year



Over the next five years  
 we will create over  
**80,000** Jobs

## Surpassing the Standards

20x

 **Better**

than the industry average  
 for meeting all drinking  
 water requirements in 2014.

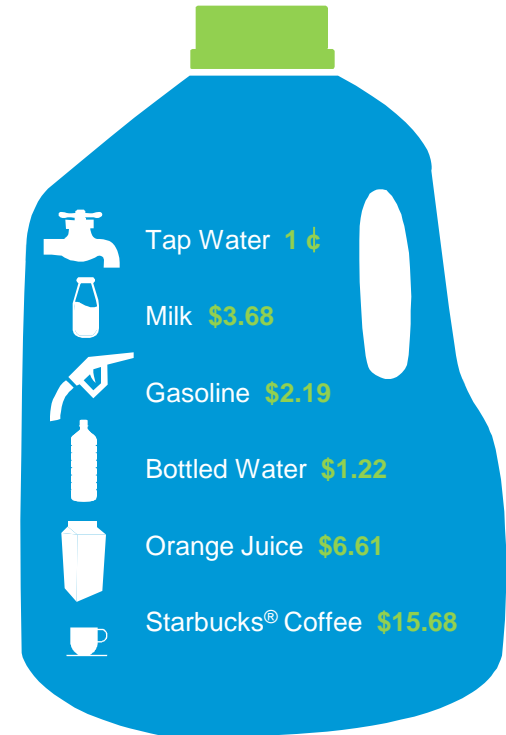
## EPA Awards

 **Better**

**68** EPA Partnership for  
 Safe Water Directors  
 Awards. More than any  
 other water utility.

## COST PER GALLON

Tap water is **UNMATCHED**



At about a penny per gallon,  
**water is a real value**



**Greg Panagos**

Vice President – Investor Relations

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**Durgesh Chopra**

Director – Investor Relations

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**Q4 2015 Earnings Call: February 25, 2016, 9 a.m. ET**

**Investor Day: December 15, 2015**

NYSE: AWK

## Appendix



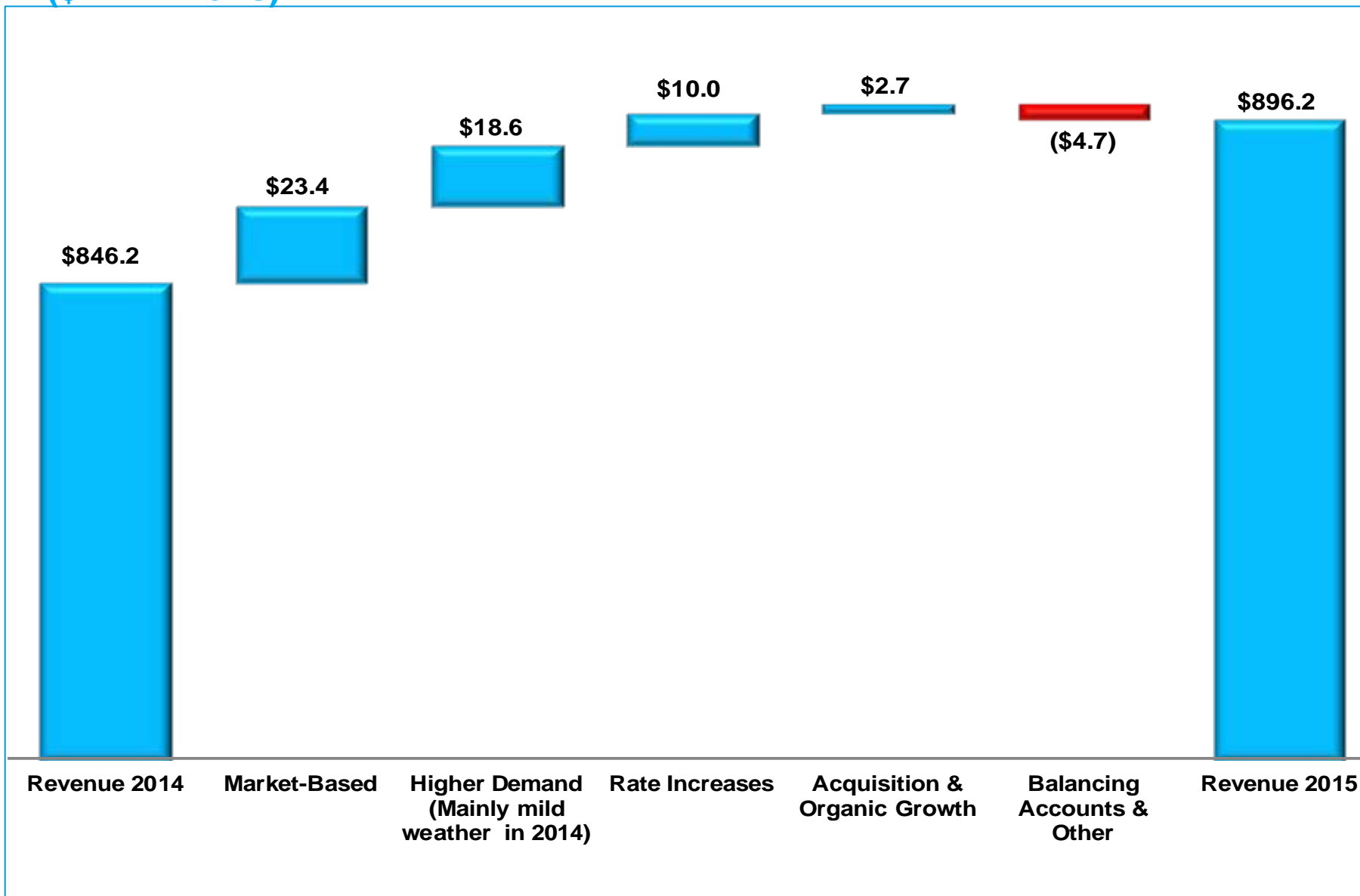


# 2015 Third Quarter Revenue Breakdown

(\$ in millions)

KAW\_R\_AGDR1\_NUM016\_032416

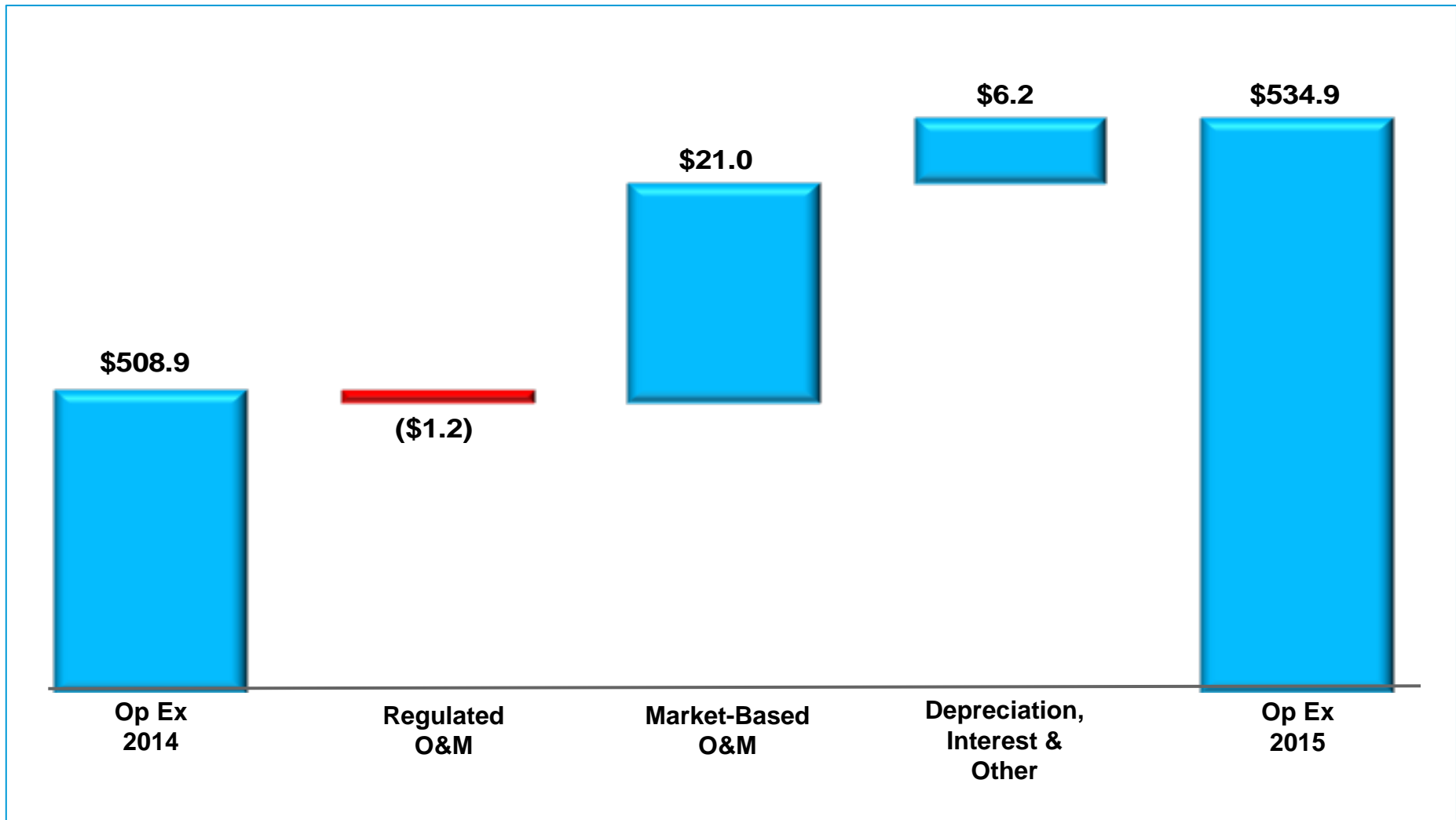
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November 2015

# 2015 Third Quarter Operating Expense Breakdown

(\$ in millions)



# Regulated Utilities: Rate Base & Authorized Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries



Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	(g)
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	



Authorized Rate Base*	\$2,386,790		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	9.75%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	9/21/2015		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

# Regulatory Filings: Rate Cases Update Footnotes

- (a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.
- (b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million.
- (c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.
- (d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.
- (e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year.

# Rate Base Calculation

## Rate Base as of September 30, 2015<sup>(1)</sup>

(\$ in Thousands)

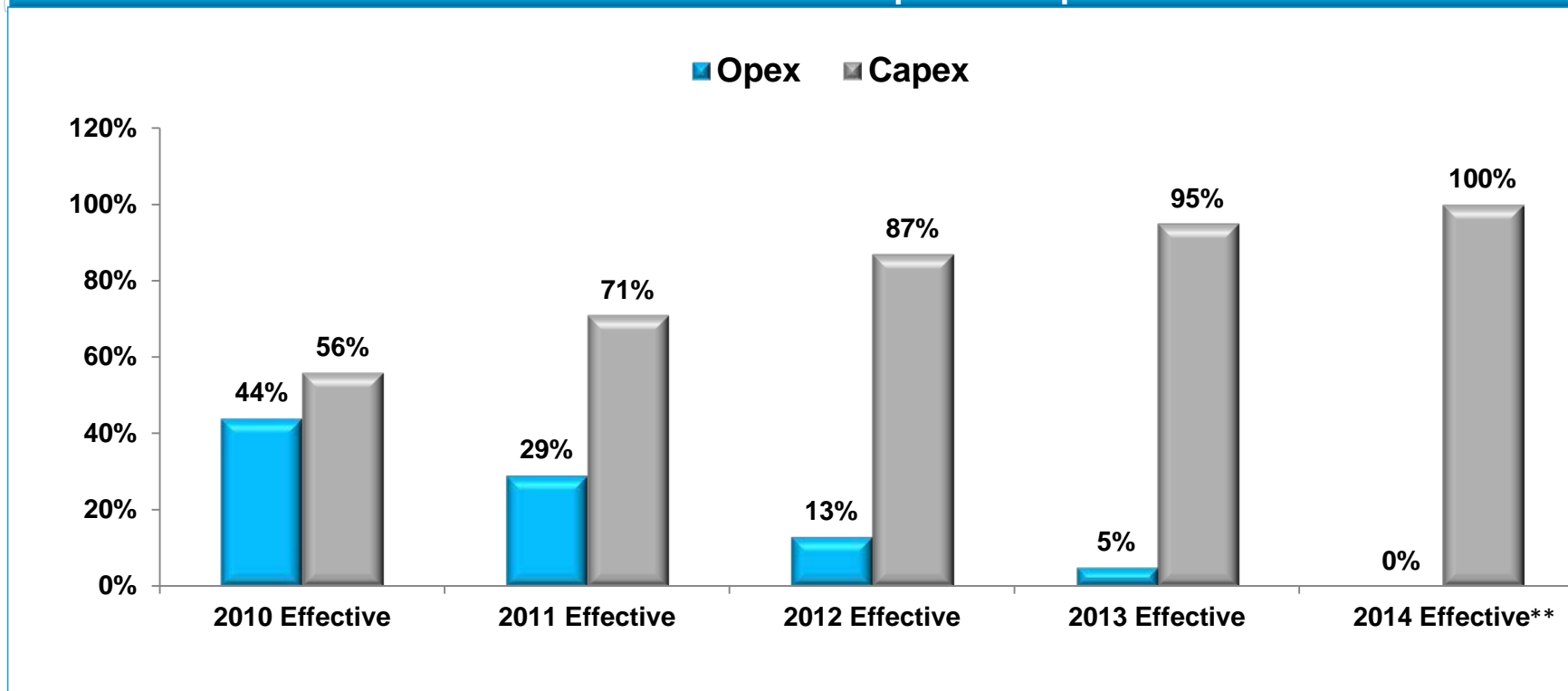
Net Utility Plant	\$13,468,478
Less	
Advances for Construction	\$349,591
CIAC – Contributions in Aid of Construction	\$1,112,662
Net Deferred income taxes	\$2,261,060
Deferred investment tax credits	\$24,001
Sub Total	\$3,747,314
<b>Rate Base</b>	<b>TOTAL \$9,721,164</b>

(1) An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes

# Disciplined Approach To O&M Cost Control Enables More Efficient Use Of Our Capital

## Incremental Revenue Requirement\*

– Increases Attributable to Opex vs. Capex –



Note:

\*Approximation in states where we received black box award

\*\*For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

# Reconciliation Tables: Adjusted Return on Equity

Adjusted Return on Equity		
(A Non-GAAP Unaudited Number)	For the Twelve Months Ended Sep 30,	
	2015	2014
<i>(\$ in thousands )</i>		
Net income	\$470,512	\$389,301
Adjustments:		
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$185	\$6,822
Loss (income) from discontinued operations	\$445	\$7,716
<b>Adjusted net income from Continuing Operations</b>	<b>\$471,142</b>	<b>\$428,595</b>
Stockholders' equity	\$5,165,452	\$4,919,652
2013 Debt Tender Offer		\$24,756
Impact of Freedom Industries chemical spill in West Virginia	\$185	\$6,822
Loss (income) from discontinued operations	\$445	\$7,716
<b>Adjusted stockholders' equity</b>	<b>\$5,166,082</b>	<b>\$4,958,946</b>
<b>Adjusted Return on Equity</b>	<b>9.12%</b>	<b>8.64%</b>



# Reconciliation Table: Regulated Segment O&M Efficiency Ratio

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Regulated Segment O&M Efficiency Ratio (A Non-GAAP Unaudited Number)		FY	FY	FY	FY	LTM Sep
(\$ in thousands)		2011	2012	2013	2014	2015
Total Operations and Maintenance Expense		\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864	\$ 1,369,553
Less:						
Operations and Maintenance Expense – Market Based Operations		256,746	256,268	240,610	289,395	337,415
Operations and Maintenance Expense – Other		(69,192)	(56,755)	(56,973)	(51,038)	(52,805)
Total Regulated Operations and Maintenance Expense		\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507	\$1,084,943
Less:						
Allocation of internal non-O&M costs to Regulated O&M expense		30,590	35,067	34,635	38,985	37,095
Regulated Purchased Water Expense		99,008	110,173	111,119	121,301	117,801
Impact of West Virginia Freedom Industries Chemical Spill		-	-	-	10,438	136
Estimated impact of weather (mid-point of range)		-	4,289	(1,687)	(1,762)	-
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>		<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>	<b>\$929,911</b>
Total Operating Revenues		\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328	\$3,107,783
Less:						
Operating Revenues – Market Based Operations		303,171	307,366	302,541	354,679	408,643
Operating Revenues – Other		(30,470)	(17,874)	(17,523)	(17,680)	(18,693)
Total Regulated Operating Revenues		\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329	\$2,717,833
Less:						
Regulated Purchased Water expense*		99,008	110,173	111,119	121,301	117,801
Plus:						
Impact of West Virginia Freedom Industries Chemical Spill		-	-	-	1,012	-
Estimated impact of weather (mid-point of range)		-	(42,885)	15,625	16,785	-
<b>Adjusted Regulated operating revenues (b)</b>		<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>	<b>\$2,600,032</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>		<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>	<b>35.8%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

November 2015

# Reconciliation Table: Closed & Pending Regulated Acquisitions

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Acquisitions				
2015 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
IN	2	546	—	546
MO	2	25	9,296	9,321
NJ	1	4,500	4,500	9,000
PA	2	55	245	300
Total	<u>7</u>	<u>5,126</u>	<u>14,041</u>	<u>19,167</u>
Announced Pending Acquisitions**				
(As of November 5, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	5	2,590	253	2,843
IL	1	135	—	135
MO	4	254	399	653
NJ	2	104	5,300	5,404
NY	1	35	—	35
PA	3	196	4,060	4,256
Total	<u>16</u>	<u>3,314</u>	<u>10,012</u>	<u>13,326</u>

\*\*Announced pending defined as awaiting financial close, municipal and/or regulatory approval.

November 2015

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# Institutional Investor Presentation

November 2015



# Cautionary Statement Concerning Forward-Looking Statements

Certain statements in this presentation including, without limitation, estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

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## American Water Overview



# American Water: The Premier Water Services Provider In North America

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## Market Statistics\*

- **\$16.6 Billion** Total Enterprise Value
- **860,000** Average Daily Trading Volume LTM
- **\$10.5 Billion** Market Capitalization
- **\$3.0 Billion** in 2014 Revenues
  - 89% Regulated, 11% Market Based
- **13.8%** Total Shareholder Return for Last 12 Months
- **2.3%** Current Dividend Yield
- **0.8 Beta**

## Assets

- **15 Million** People Served
- **48,000** Miles of Pipeline
- **6,800** Employees
- **1,600** Communities
- **3.2 Million** Regulated Customers

\* Market data as of November 5, 2015, Source : FactSet

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# American Water Is Unique

*Strong Earnings & Dividend Growth*

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 Industry Leading projected **7-10%** Long Term EPS Growth  
with **0.8** Beta\*

 **9%** Dividend Growth rate Top Quartile in Utilities\*\*

 Operational Excellence Minimizes Bill Increases projected  
approximately **2%** on an average

 Commitment to Innovation & Environmental Stewardship, over  
**600** technologies examined

\*Source : FactSet 5 Yr Beta (Adjusted)

\*\*Source: FactSet: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.  
Peer companies include: AEP , AES , AWK , CNP , D , DUK , ED , EIX , EXC , FE , NEE , NI , PCG , PEG , SO , AWR , ARTNA , CTWS , CWT , MSEX , SJW , WTR , YORW

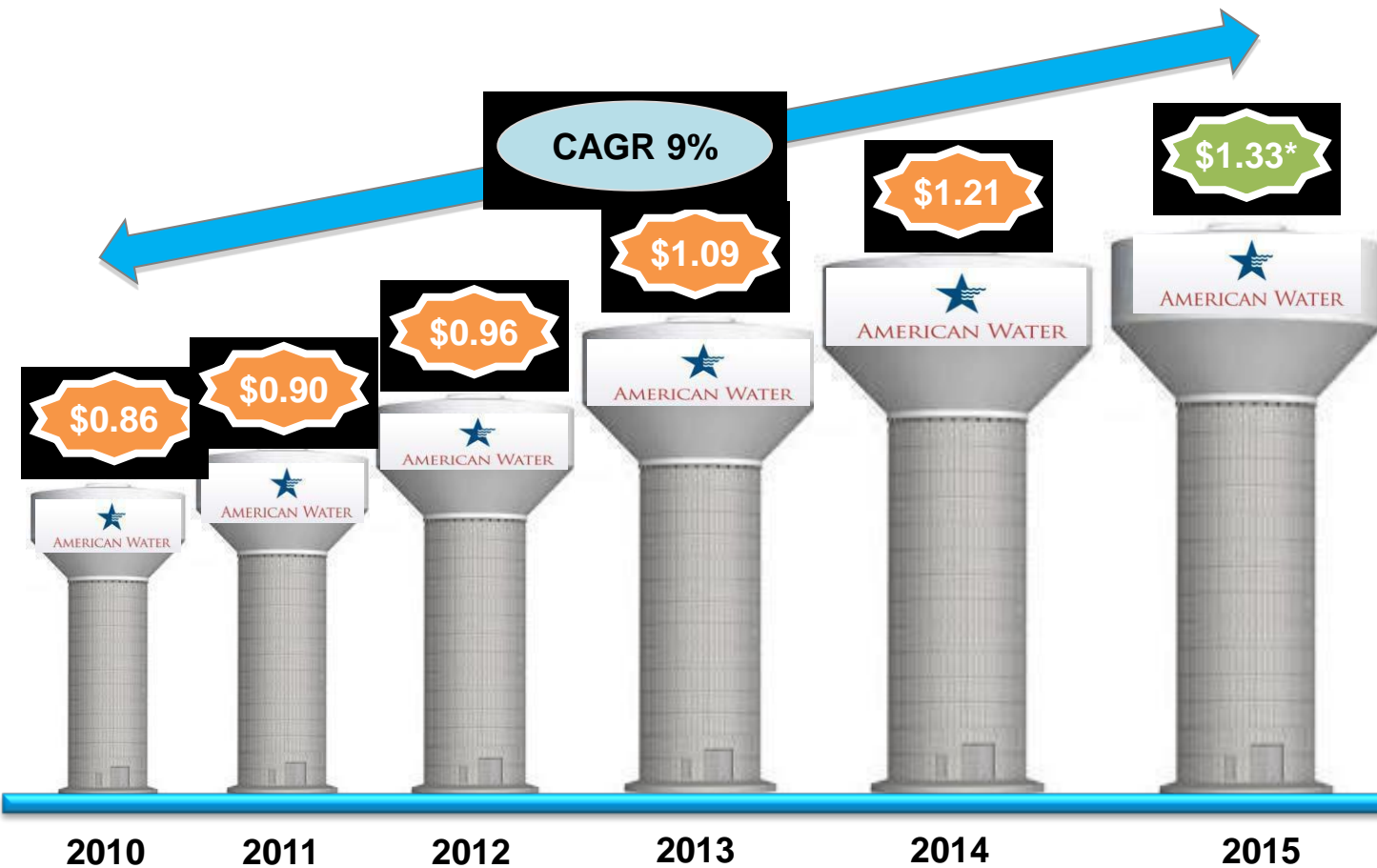
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# Long History Of Consistent Dividend Growth

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- Future dividend increases aligned with normalized EPS growth
- Payout ratio between 50-60 percent of net income

**Top quartile Dividend CAGR Growth compared to DJUA companies and Water Peers\*\***

*\*Assumes fourth quarter 2015 dividend payment equal to current quarterly dividend of \$0.34 per share. Payment of fourth quarter 2015 dividend subject to Board review and approval*

*\*\*Source: Factset: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.*

*Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW*

November 2015

NYSE: AWK

[www.amwater.com](http://www.amwater.com)

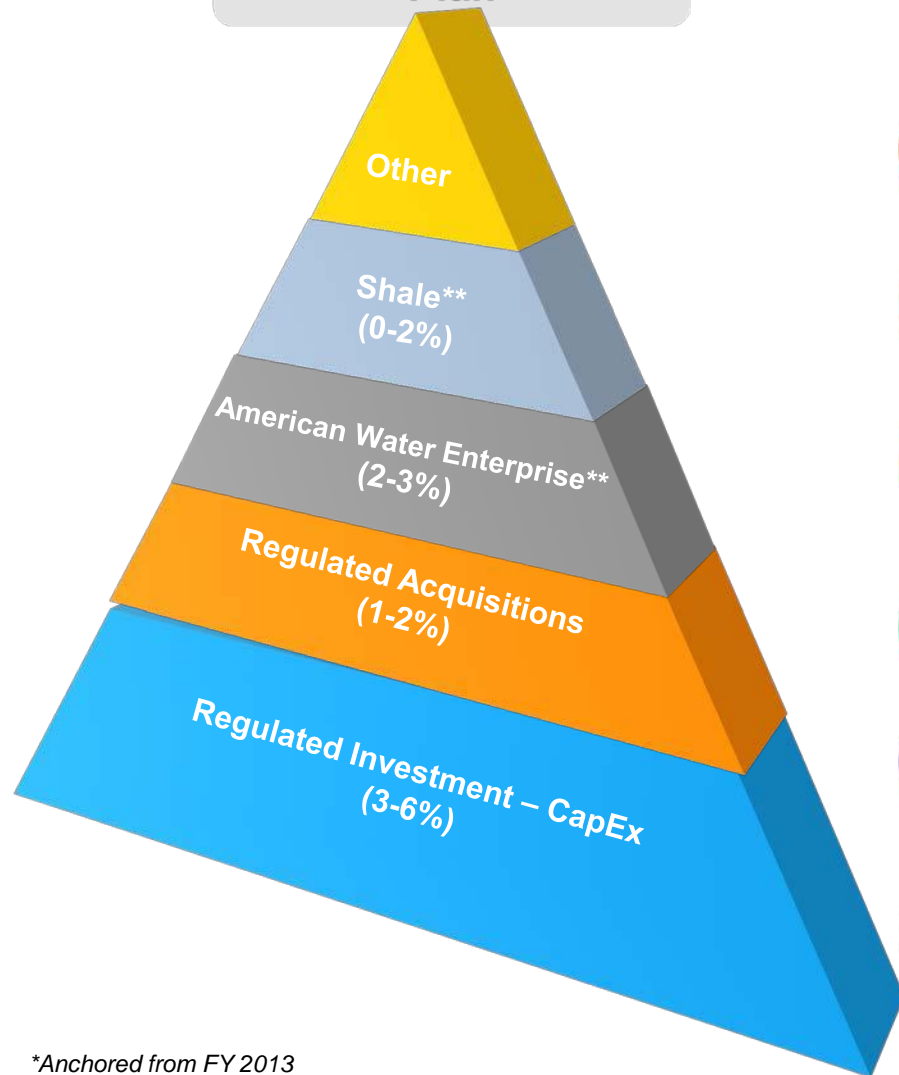
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# Our Future: Our Commitment Over The Next 5 Years

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2015 - 2019  
Plan



Industry Leading **7-10%**  
Long Term EPS Growth\*

**\$6 billion** investment to improve  
infrastructure, expand water and wastewater  
customer base

O&M Efficiency stretch target of **34%** by 2020,  
with average customer bill impacts **~2%**

Develop shale and water-energy nexus  
opportunities

Commitment to Innovation & Environmental  
Stewardship

Dividend growth aligned with earnings  
growth, **50- 60%** target payout ratio

\*Anchored from FY 2013

\*\*Market Based Segment (MBB) includes American Water Enterprise (AWE) & Shale. AWE Includes our HOS, Military services and other businesses.

November 2015

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www.amwater.com

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## 2014 Water Quality Report

- **15x** better than the industry average for compliance with drinking water quality standards
- **20x** better than the industry average for meeting all drinking water requirements



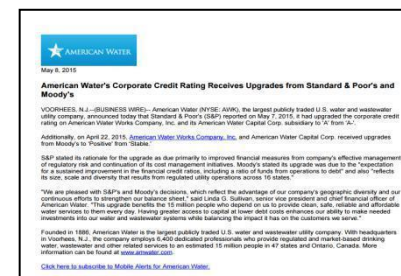
## Selection to the Dow Jones Utilities Average

- 15-member index that represents the stock performance of large, well-known U.S. companies within the utilities sector
- Index Market Capitalization of approximately \$400 billion
- Since inception in 1929 only 40 companies have been part of the Index
- American Water is the only water & wastewater utility to ever be included in the Index



## Rating Upgrade

- Standard & Poor's (S&P) reported on May 7, 2015, it had upgraded American Water's corporate credit rating to 'A' from 'A-'
- Additionally, on August 7, 2015, the company received rating upgrade from Moody's to 'A3' from 'Baa1'



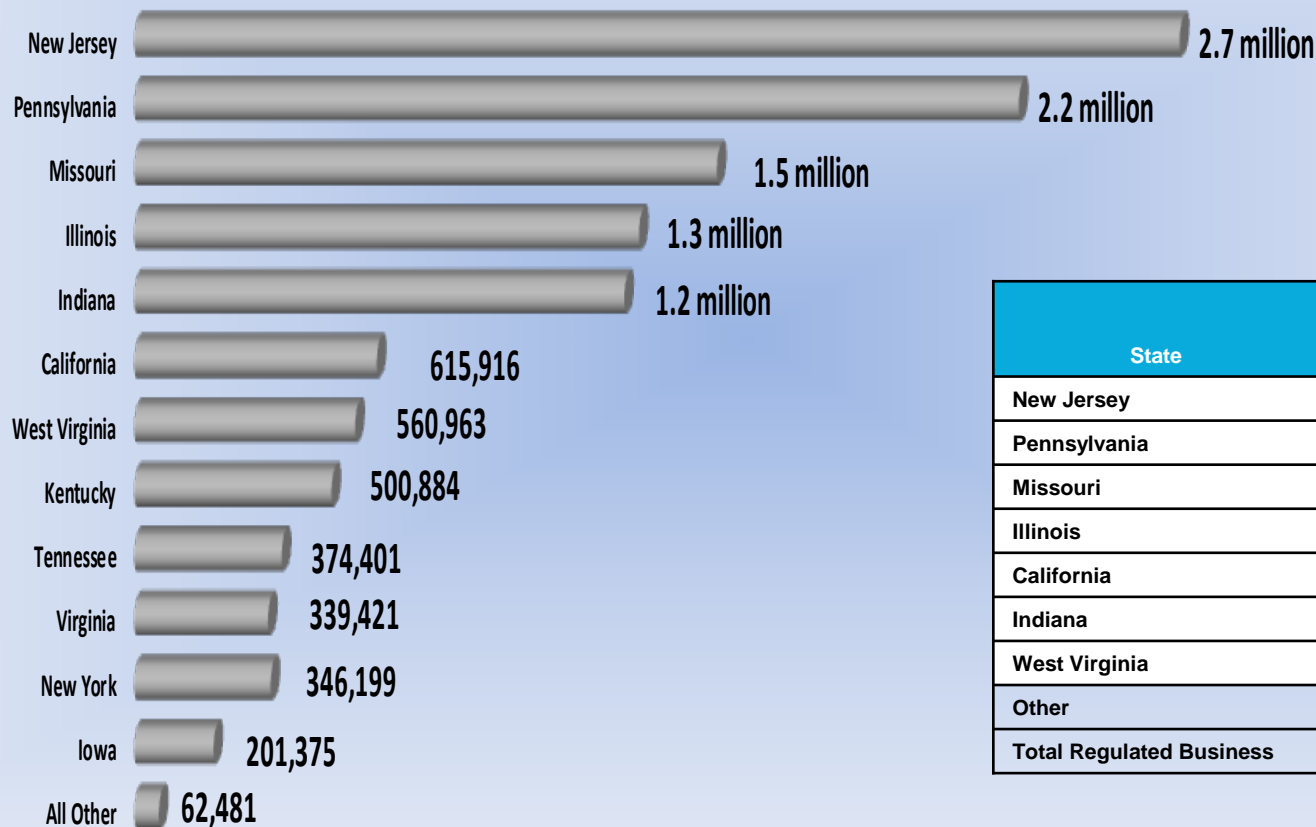
NYSE: AWK

## Our Regulated Business



## States Where We Operate

(approximate population served by state)\*

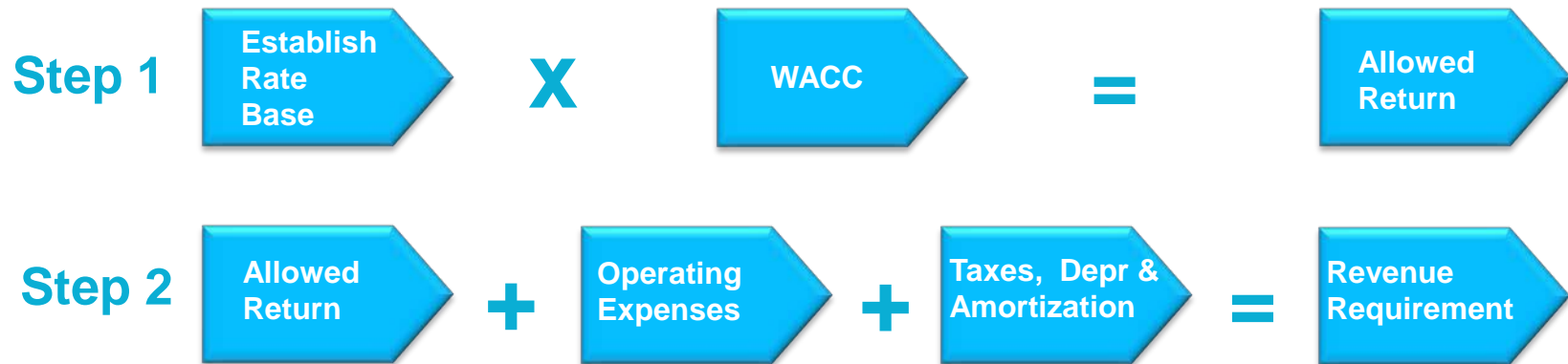


State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652.3	24.5%
Pennsylvania	605.4	22.6%
Missouri	270.2	10.1%
Illinois	262.3	9.8%
California	209.8	7.8%
Indiana	200.6	7.5%
West Virginia	127.0	4.7%
Other	346.7	13.0%
<b>Total Regulated Business</b>	<b>\$2,674.3</b>	<b>100%</b>

\* Population data for FY 2014

# The Rate Of Return Regulation In The United States

Prudent Investment Drives Need for Rate Cases



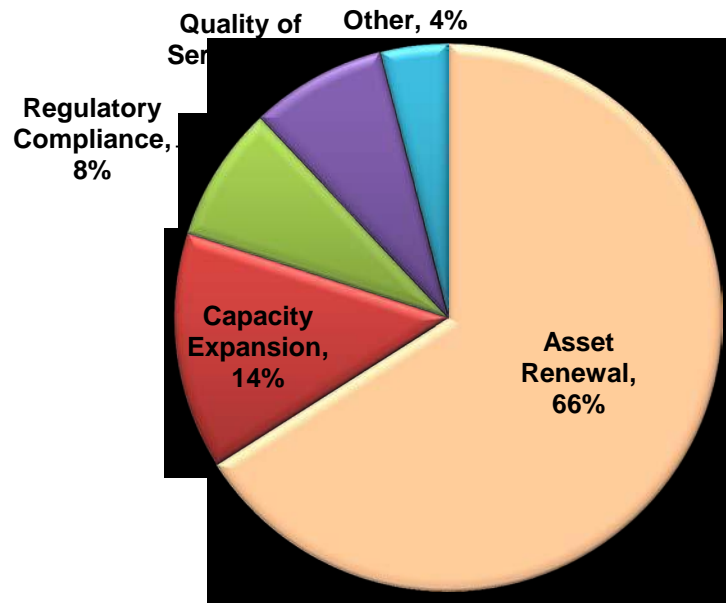
American Water has experience in securing appropriate rates of return and promoting constructive regulatory frameworks

# Investment In Water & Wastewater Industry Is Urgently Needed

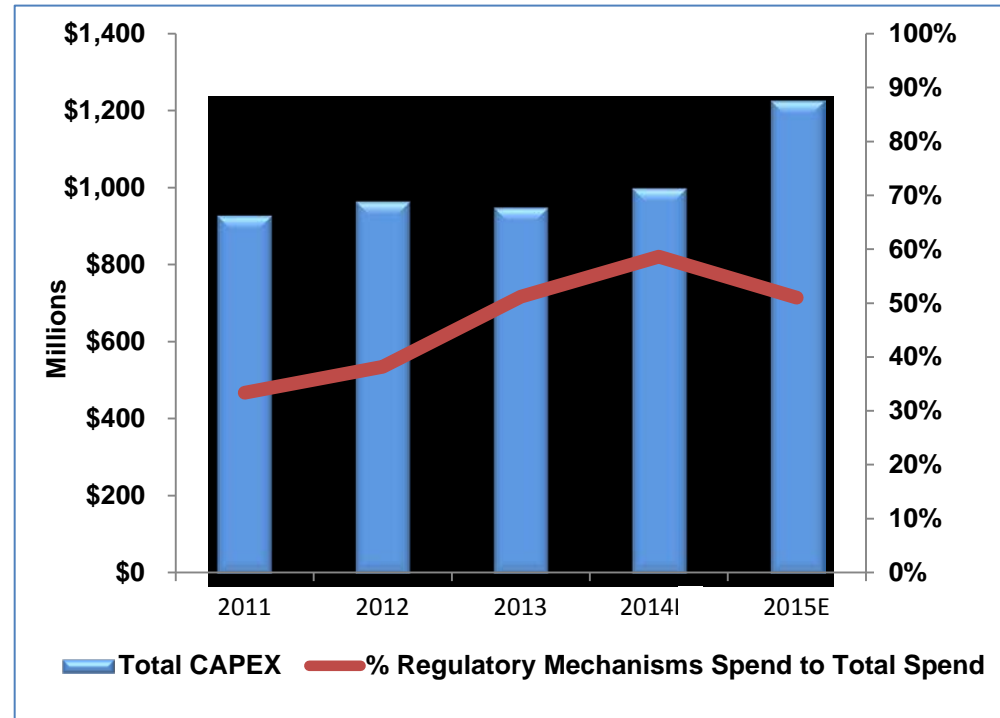
- ❑ Water: approximately one million miles of pipe in the U.S.
- ❑ A major water main breaks every two minutes in the U.S.
- ❑ Two trillion gallons of treated water lost every year at a cost of \$2.6 billion
- ❑ Wastewater: approximately 800 thousand miles of sewer mains
- ❑ 900 billion gallons of untreated sewage discharged each year
- ❑ By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed

# Regulatory Capital Investment Of \$5.2 Billion Over Next Five Years

2015 – 2019 Average Capital Expenditures by Purpose



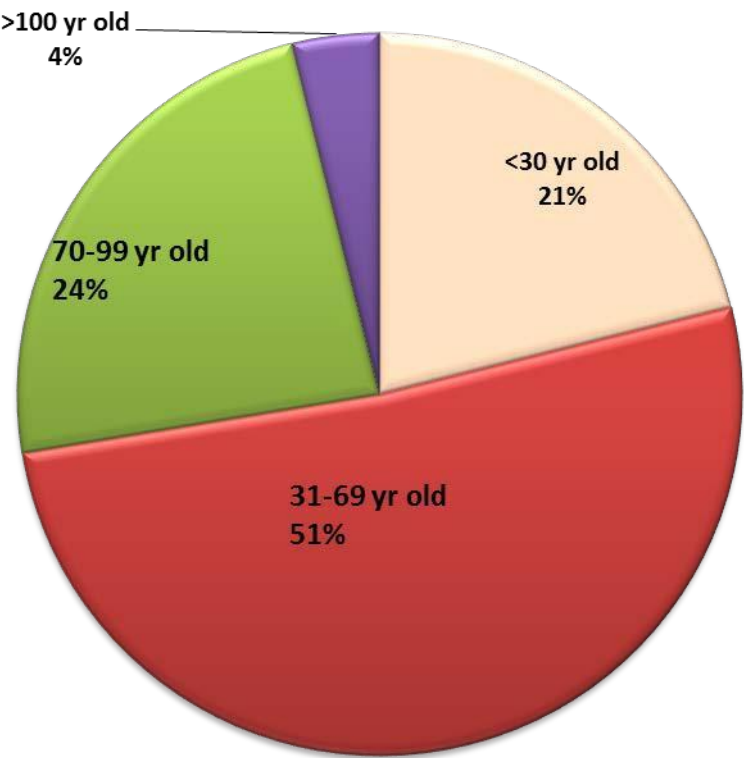
Investments covered by Regulatory Mechanisms



Note

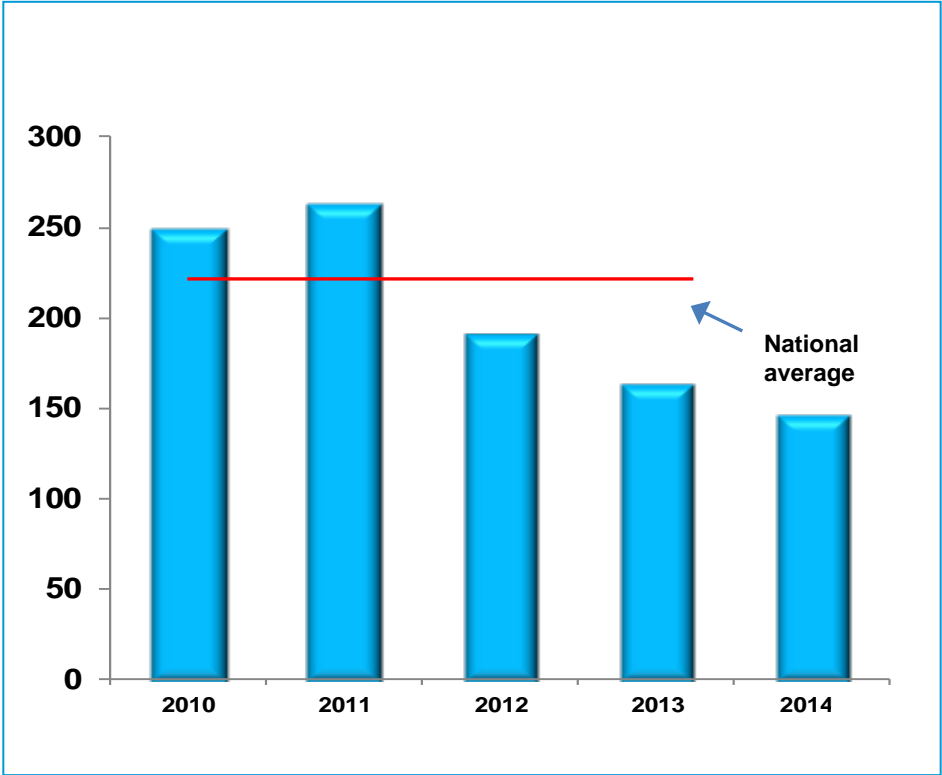
(1) Regulatory Mechanisms include DSIC, SIC and Future Test Years

Pipe Age Distribution – AW System



Over 25% pipes are 70 years or older

American Water Pipe Replacement Rate (in years)

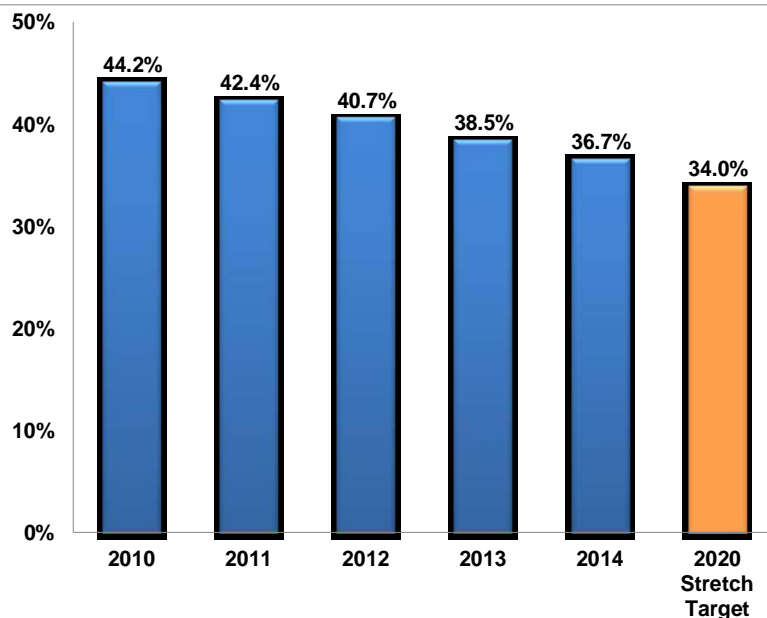


Pipe Replacement rate is shortening



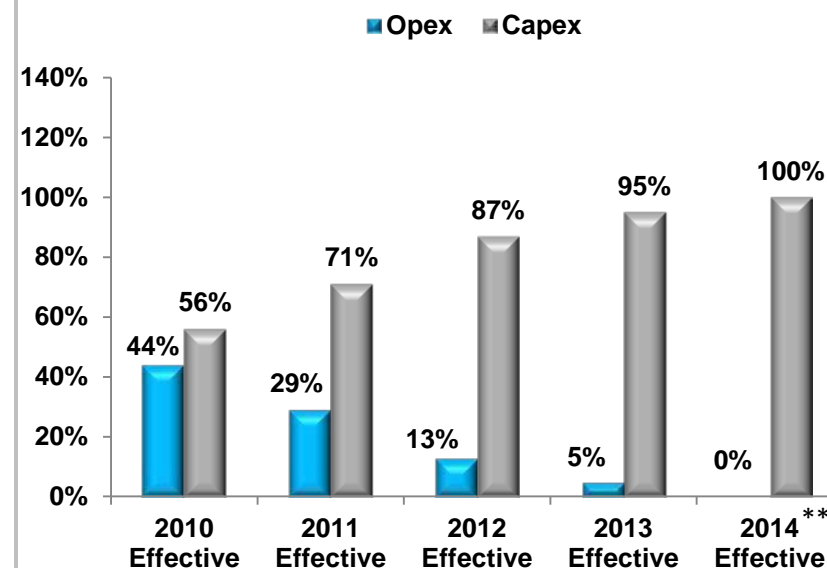
# Our Disciplined Approach To Investing

**O&M Efficiency Ratio**  
Stretch Target of 34% by 2020



Note:  
O&M Efficiency Ratio - Non GAAP measure – See appendix for reconciliation

**Incremental Revenue Requirement\***  
Increases Attributable to Opex vs. Capex



Note:

\* Approximation in states where we received black box award

\*\* For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures

# We work with State Commissions to Lower Impact of Regulatory Lag to Increase Investments

## Positive Policies to reduce Regulatory Lag

	Infrastructure Surcharge Programs	Forward Looking Test Years	Surcharges for Changes In Opt Expenses	Full or Partial Single Tariff	Rates recovery on Plant not yet in service <sup>(1)</sup>	Revenue Decoupling or Declining Usage Adjustment
<b>NJ</b>	<b>x</b>		<b>x</b>	<b>x</b>		<b>x</b>
<b>PA</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>	<b>x<sup>(3)</sup></b>
<b>MO</b>	<b>x</b>		<b>x</b>	<b>x</b>		<b>x<sup>(3)</sup></b>
<b>IL</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>IN</b>	<b>x</b>	<b>x</b>		<b>x</b>		<b>x<sup>(3)</sup></b>
<b>WV</b>				<b>x</b>		
<b>CA</b>		<b>x</b>	<b>x</b>		<b>x</b>	<b>x</b>
<b>KY</b>		<b>x</b>		<b>x</b>	<b>x</b>	
<b>NY</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x<sup>(2)</sup></b>	<b>x</b>
<b>TN</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x</b>	<b>x<sup>(3)</sup></b>
<b>VA</b>		<b>x</b>	<b>x</b>		<b>x</b>	
<b>IA</b>				<b>x</b>		
<b>HI</b>		<b>x</b>				
<b>MD</b>			<b>x</b>	<b>x</b>		<b>x<sup>(3)</sup></b>

(1) As opposed to capitalizing an allowance for funds used during construction

(2) NY Rates recovery on Plant not yet in service, only applicable to non interest bearing projects

(3) The Company's view is that declining usage adjustment was not disclosed in the Order or the applicable settlement agreement.



## Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



## Distressed Utility Acquisition Bill:

- House Enrolled Act 1319 , Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

## Other States With Similar Acquisition Adjustments:



# Our Role In California

## Investing in Future of Water

- Total capital Investment ~\$300 million
- Desalination Plant : 6.4 or 9.6 MGD
- Heated Metal Oxide Particles (HMOPs)
- Innovative Subsurface Slant Well Intake System
- Aquifer Storage & Recovery



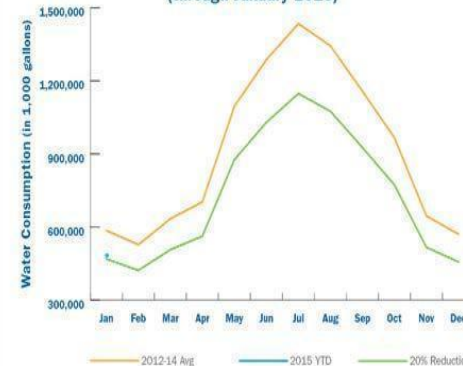
## Leading with Conservation

- Record drought, 25% mandatory statewide water usage reductions
- Most of our locations already reduced water use tremendously, and in Sacramento, as much as 17 percent since 2013
- Piloting Innovative Technology
  - AMI Pilot in Monterey, monitor daily water consumption
  - Customers can sign up for text or email alert
- Usage decoupled from earnings

## CURRENT STATUS - Sacramento District

20% reduction requested. Current reduction: 17%

### Customer Conservation Progress Current Consumption vs. 20% Reduction (through January 2015)



Conservation  
**GOAL: 20%**

Actual conservation:  
**17%**  
for Jan 2015

Water Waste Reports  
Received:

January: **6**  
Year to Date: **6**

NYSE: AWK

## Our Market-Based Business



# American Water Enterprise Generates Complementary Opportunities For Growth

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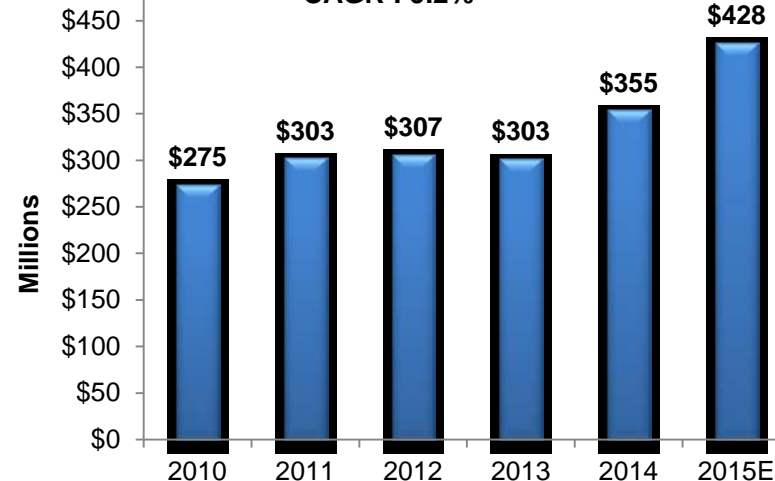
## Lines of Business

- **Homeowner Services (HOS)**
- **Contract Operations**
  - Military Services Group (MSG)
  - Municipal/Industrial (CSG)

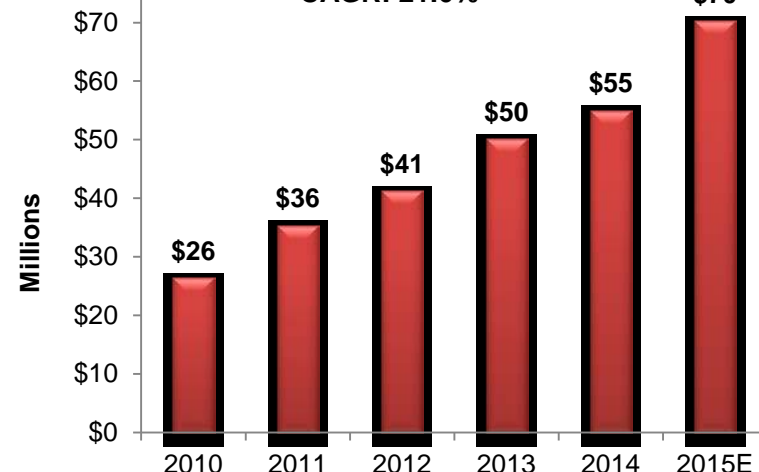
## “Regulated Like”

- Capitalizes on AW strengths
- Strong/consistent margins
- Controllable risk
- Growing markets

## Revenues CAGR : 9.2%



## Operating Income CAGR: 21.6%



Note: MBB segment also includes two non-regulated contracts for NJ concessions which are not included in this presentation

November 2015

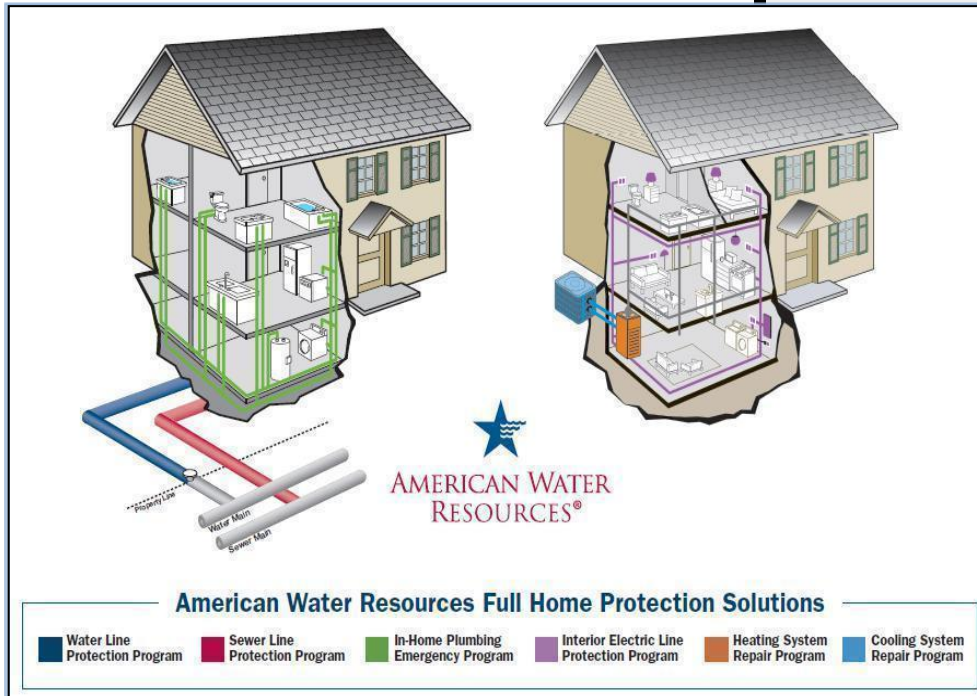
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# Homeowner Services



- **Protect homeowners from unexpected high repair costs**
- **Manage approximately 700k customers and 1.4m contracts**
- **Municipal partnerships**
  - New York City
  - Nashville, TN
  - Burlington, IA
  - Orlando, FL
- **Current warranties:**
  - Water Line
  - Sewer Line
  - In Home Plumbing
  - In Home Electric
  - HVAC (Test)

***Under-penetrated Market Opportunity as large Municipal Players are Increasingly Open to Partnerships***

# Military Services: Overall Growth Strategy

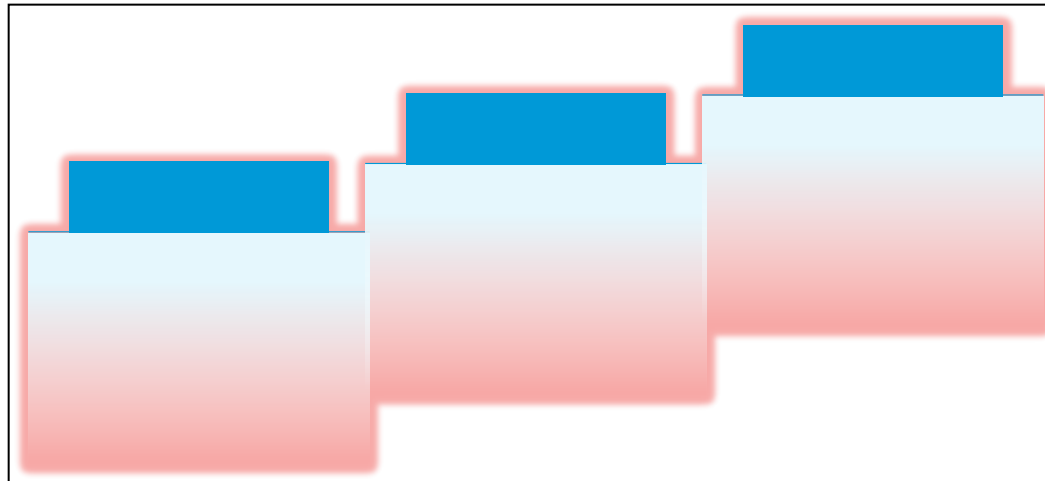
## Add New Customers

### Current Bases

- Ft. Leavenworth (39 yrs. Left)
- Ft. Sill (39 yrs. Left)
- Ft. Rucker (40 yrs. Left)
- Scott AFB (43 yrs. Left)
- Ft. AP Hill (43 yrs. Left)
- Ft. Hood (44 yrs. Left)
- Ft. Polk (44 yrs. Left)
- Ft. Meade (45 yrs. Left)
- Ft. Belvoir (45 yrs. Left)
- Hill AFB (50 yrs. Left)
- Picatinny Arsenal (50 yrs. Left)
- Vandenberg AFB (50 yrs. Left)

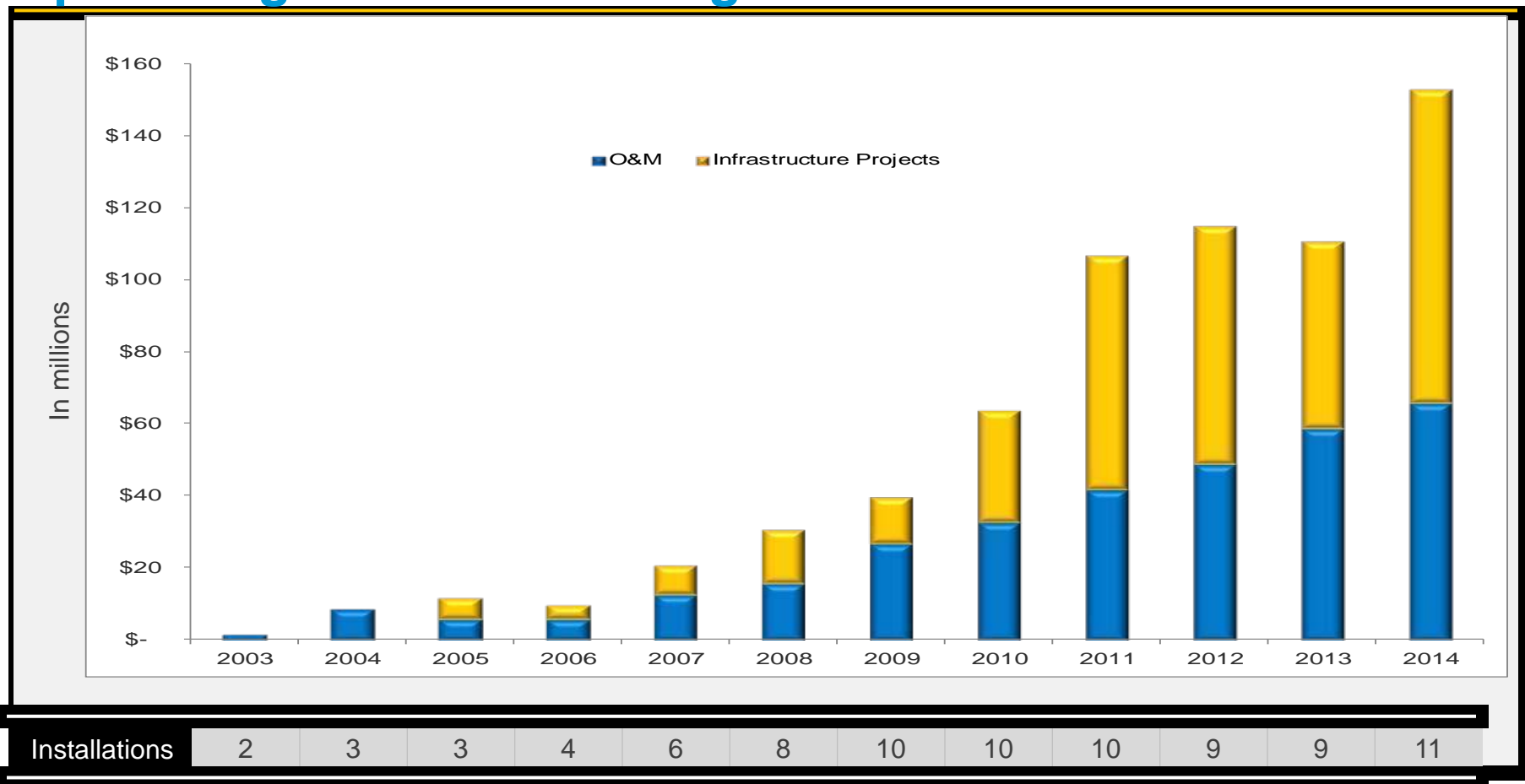
## Optimize Existing Bases

1. Price Redeterminations
2. Infrastructure Modifications

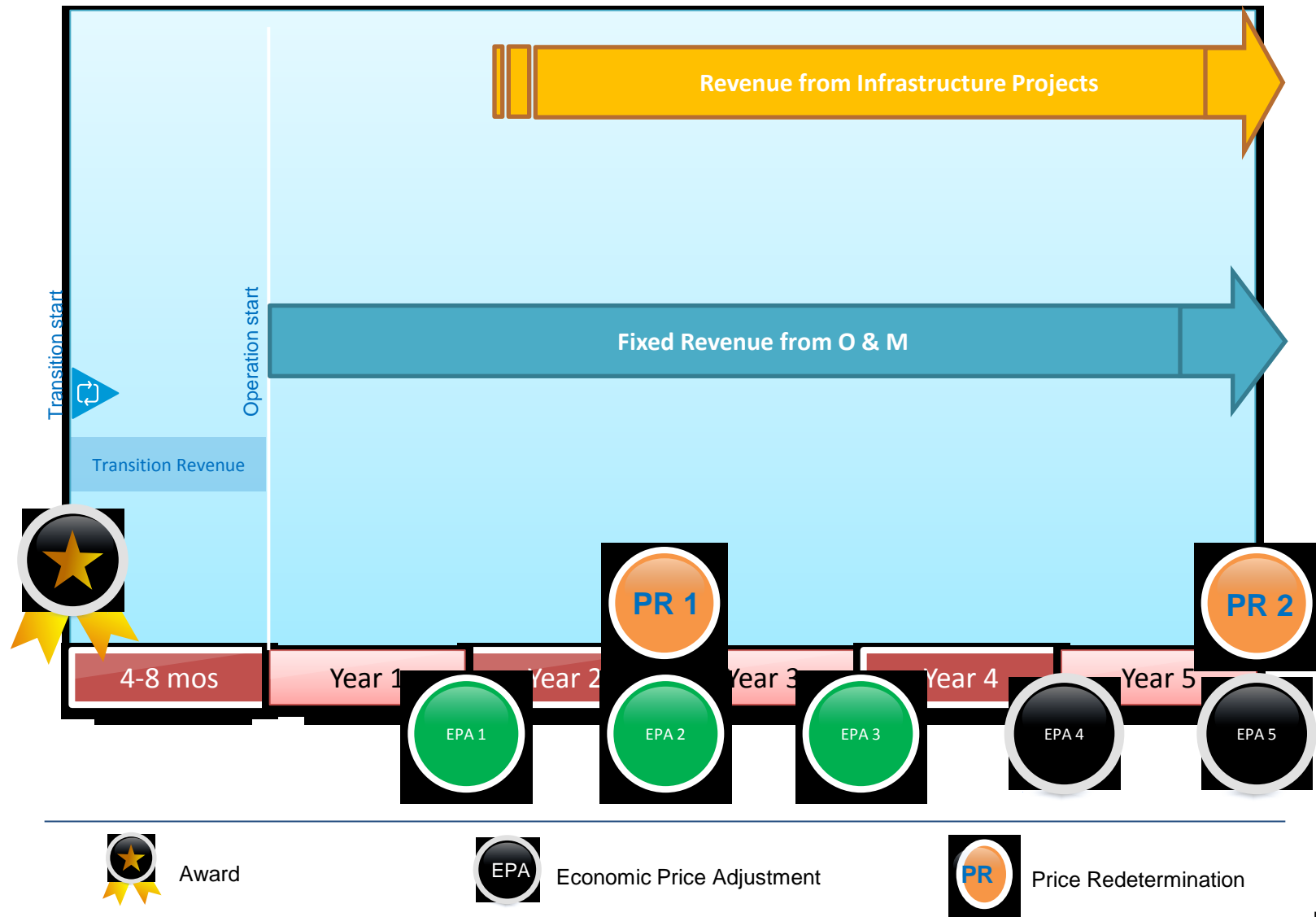




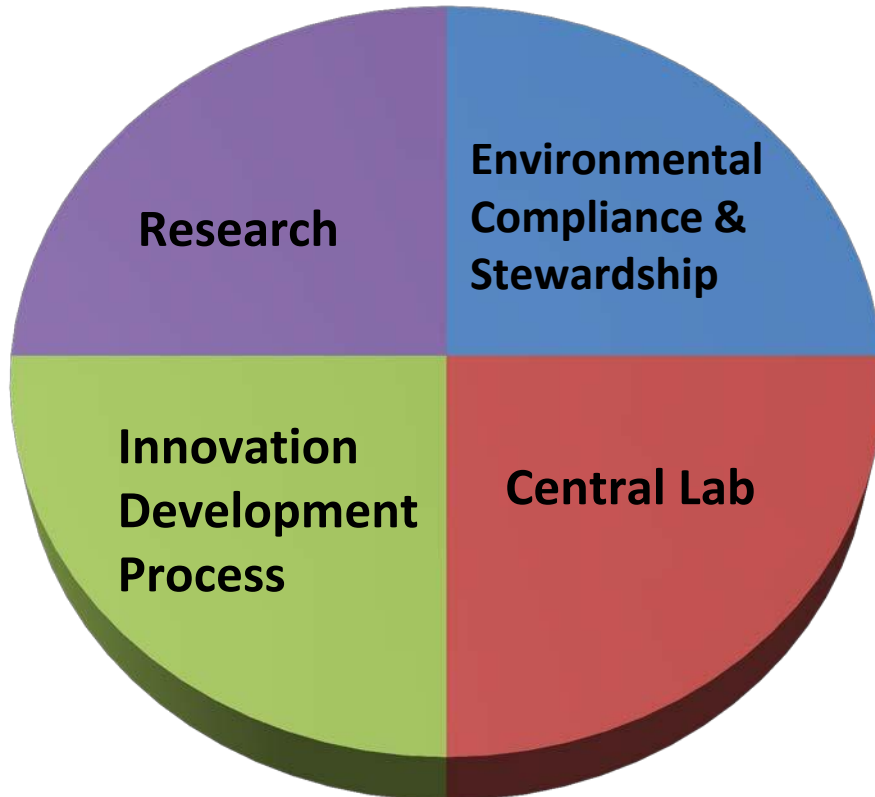
# Military Services: Growth By Adding New Bases & Optimizing Value At Existing Bases



# Military Services: Typical Revenue – First 5 Years Of Contract



# INNOVATION AND ENVIRONMENTAL STEWARDSHIP



## Interdisciplinary team of 40 people:

- Engineers, Chemists, Microbiologist & Environmental Scientists

## Objectives:

- Address emerging water quality or regulatory issues
- Evaluate & recommend new technology to enhance operations
- Support operations with technical, functional expertise

## Research Facts:

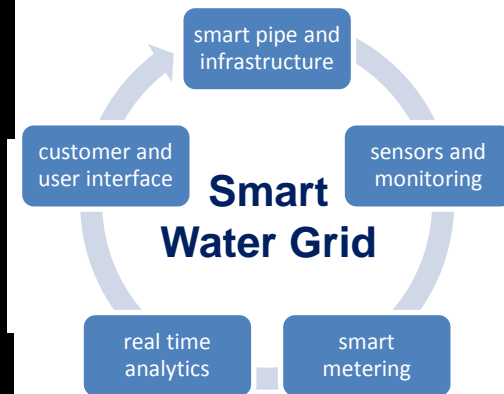
- More than 150 awards received for superior water quality
- Nearly 80 competitive research grants awarded
- Over \$32M total grant value
- Five US based patents

# The Water-Energy Nexus: Challenges & Opportunities

## DOE's Strategic Pillars

## American Water's Efforts

Optimize the energy efficiency of water management, treatment, distribution and end of use systems	<ul style="list-style-type: none"> <li>• NPXPRESS</li> <li>• Pressure Management Research</li> <li>• Pump Efficiencies</li> <li>• Demand Side Energy Management</li> </ul>
Enhance the reliability and resilience of energy and water systems	<ul style="list-style-type: none"> <li>• Smart Water Grid</li> <li>• Saving Water to Save Energy</li> <li>• Resiliency Projects</li> </ul>
Increase safe and productive use of non-traditional water sources	<ul style="list-style-type: none"> <li>• One Water Philosophy</li> <li>• Desalination</li> <li>• Recycled Water</li> </ul>
Promote responsible energy operations with respect to water quality, ecosystem and seismic impacts	<ul style="list-style-type: none"> <li>• Shale Gas Production</li> </ul>
Exploit productive synergies among water and energy systems	<ul style="list-style-type: none"> <li>• Enbala</li> <li>• Solar Power</li> <li>• Wind Power Purchases</li> </ul>



Note: Does not include DOE's pillar "Optimize the freshwater efficiency of energy production, electricity generation and end use systems"

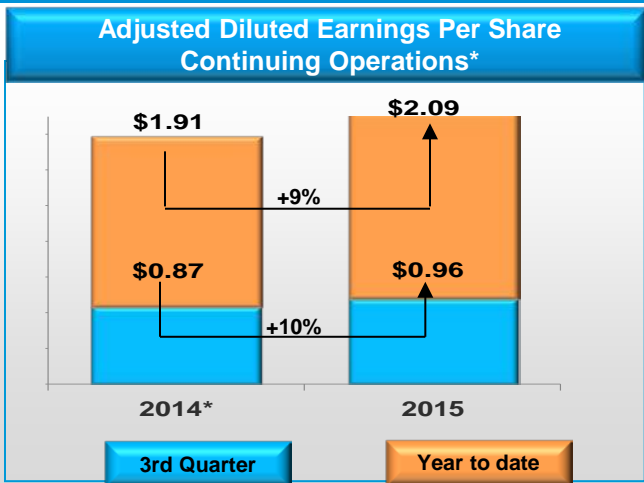
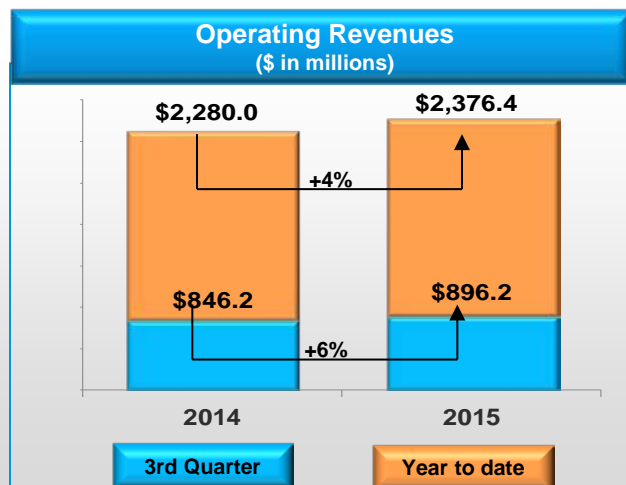
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# Our Future Results Are Anchored On 5 Central Themes With Customers At The Center Of All We Do



# Continued Strong Q3 2015 Revenue & EPS Growth

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## Third Quarter EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	<u>2015</u>
Regulated Businesses	\$0.97
Market-Based Businesses	\$0.07
Other (Includes Parent interest & other)	(\$0.08)
<b>Total EPS</b>	<u><b>\$0.96</b></u>

## Year To Date EPS Contribution By Business Segment

(Diluted EPS From Continuing Ops)

	<u>2015</u>
Regulated Businesses	\$2.09
Market-Based Businesses	\$0.17
Other (Includes Parent interest & other)	(\$0.17)
<b>Total EPS</b>	<u><b>\$2.09</b></u>

Note: \*Reported 2014 YTD EPS of \$1.87 was adjusted by \$0.04 for the after-tax impact of the Freedom Industries chemical spill in WV.  
Segment information rounded for presentation purposes

November 2015

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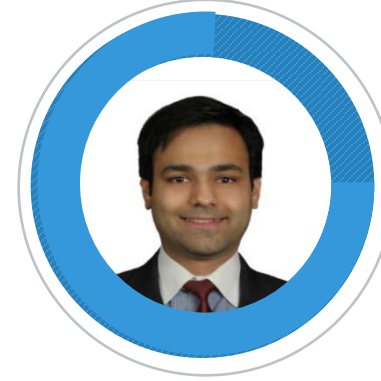
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**Greg Panagos**

Vice President – Investor Relations

[Gregory.panagos@amwater.com](mailto:Gregory.panagos@amwater.com)



**Durgesh Chopra**

Director – Investor Relations

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Tel: 856-566-4005

Fax: 856-782-2782

**Q4 2015 Earnings Call: February 25, 2016, 9 a.m. ET**

**Investor Day: December 15, 2015**

NYSE: AWK

## Appendix





# Reconciliation Table – Regulated O&M Efficiency Ratio

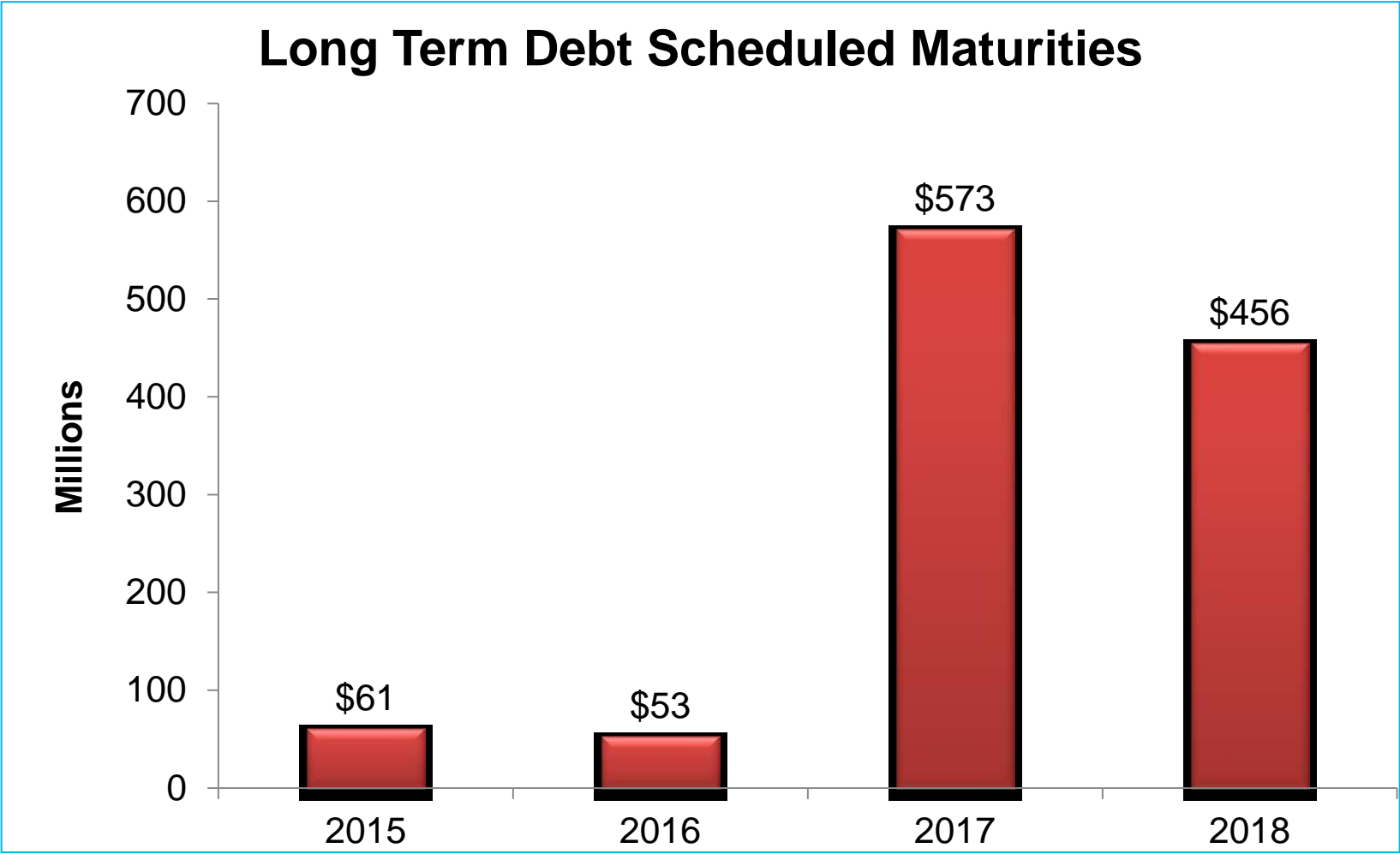
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Regulated O&M Efficiency Ratio (A Non-GAAP Unaudited Number)	FY				
(\$ in thousands)	2010	2011	2012	2013	2014
Total Operations and Maintenance Expense	\$1,271,664	\$1,280,165	\$1,329,500	\$1,289,081	\$1,349,864
Less:					
Operations and Maintenance Expense – Market Based Operations	237,356	256,746	256,268	240,610	289,395
Operations and Maintenance Expense – Other	(61,138)	(69,192)	(56,755)	(56,973)	(51,038)
Total Regulated Operations and Maintenance Expense	\$1,095,446	\$1,092,611	\$1,129,986	\$1,105,444	\$1,111,507
Less:					
Allocation of internal non-O&M costs to Regulated O&M expense	29,414	30,590	35,067	34,635	38,985
Regulated Purchased Water Expense	99,834	99,008	110,173	111,119	121,301
Impact of West Virginia Freedom Industries Chemical Spill					10,438
Estimated impact of weather (mid-point of range)			4,289	(1,687)	(1,762)
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966,198</b>	<b>\$963,013</b>	<b>\$980,457</b>	<b>\$961,377</b>	<b>\$942,545</b>
Total Operating Revenues	\$2,535,131	\$2,641,592	\$2,853,926	\$2,878,936	\$3,011,328
Less:					
Operating Revenues – Market Based Operations	274,819	303,171	307,366	302,541	354,679
Operating Revenues – Other	(25,344)	(30,470)	(17,874)	(17,523)	(17,680)
Total Regulated Operating Revenues	\$2,285,656	\$2,368,891	\$2,564,434	\$2,593,918	\$2,674,329
Less:					
Regulated Purchased Water expense*	99,834	99,008	110,173	111,119	121,301
Plus:					
Impact of West Virginia Freedom Industries Chemical Spill					1,012
Estimated impact of weather (mid-point of range)			(42,885)	15,625	16,785
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,185,822</b>	<b>\$2,269,883</b>	<b>\$2,411,376</b>	<b>\$2,498,424</b>	<b>\$2,570,825</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses

November 2015



# West Virginia Update: Independent Comments Around West Virginia American Water's Actions During The Freedom Industries Chemical Spill

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Home News Cops and Courts Sports Opinion Business Food and Livin



Monday, June 30, 2014

## Editorial: Lessons learned from the water crisis of 2014

On Jan. 9, the state became a teachable moment for the rest of America when a chemical leak by Freedom Industries contaminated the water of one-sixth of the residents of West Virginia.

Last week, the independent West Virginia Testing Assessment Project issued its final report. This gives people a chance to reflect on what happened nearly six months ago.

What went right?

West Virginia American Water Co. did not shut its water treatment plant down when it realized it could not properly filter MCHM from the water. Given the need for 300,000 people to continue to flush commodes and the need for fire protection for 100,000 homes and businesses, company president Jeff McIntyre made the right call....."

ACE<sup>14</sup>  
ANNUAL CONFERENCE & EXPOSITION

Annual Conference & Exposition  
Boston Convention & Exhibition Center | Boston, MA USA  
Conference > June 8 - 12 | Exposition > June 8 - 11

Dr. Peter Grevatt, head of USEPA's Office of Ground Water & Drinking Water



***(West Virginia American Water)... "In my view they did what they absolutely had to do in that circumstance. They had this chemical coming in, people were detecting it just by being able to smell it, and we didn't know much about what it was. The only thing to do was to tell people that they couldn't use the water without cutting off the intake because we needed to have the water available for fire suppression and other emergencies"***

November 2015

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# Regulatory Filings Focused On Infrastructure Investments

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## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	\$35.6	(a)	10.75%	\$540.0
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6
Virginia	Case No. 2015-00097	10/30/2015	8.7		10.75%	162.2
			<b>\$69.5</b>			<b>\$1,784.8</b>

## Rates Effective since October 1, 2014

	Date Effective	Revenue Increase		Comments
<b>B. Step Increases</b>				
California	Various	\$1.9	(c)	Final Step
		<b>\$1.9</b>		
<b>C. Infrastructure Charges</b>				
Missouri (ISRS)	12/31/2014	\$9.0		
New Jersey (DSIC)	1/1/2015	9.4		
Illinois (QIP)	1/1/2015	4.9		
Illinois (QIP)	2/1/2015	1.0		
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6		
New York (SIC)	6/1/2015	0.1		
Missouri (ISRS)	6/27/2015	1.9		
Tennessee (QIIP, EDI & SEC)	6/30/2015	2.2		
Pennsylvania (DSIC - W & WW)	7/1/2015	4.6		
Pennsylvania (DSIC - W & WW)	10/1/2015	7.8		
		<b>\$42.5</b>		
<b>D. Rate Cases</b>				
Indiana	1/29/2015	\$5.1		
California	1/1/2015	5.2	(d)	
Maryland	6/19/2015	0.5		
Kentucky WW	7/2/2015	0.2	(e)	
New Jersey	9/21/2015	22.0		
		<b>\$33.0</b>		

Note: See slide 22 in appendix for footnotes

November 2015

# Regulatory Filings: Rate Cases Update Footnotes

- (a) The revenue amount requested includes \$35,472k for water operations and \$176k for wastewater operations.
- (b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations, these amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million.
- (c) The Company has received approval for \$1,880k in increases to date, \$597k was rejected and the Company is awaiting a ruling on its appeal. The 2014 step increases are included in the current rate case decision.
- (d) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases (see footnote c) were granted prior to 1/1/2015. The \$24.0M includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.
- (e) The revenues granted in the amount of \$186K are based on a four-year phase-in of equal percentage increases each year.

# Regulated Utilities: Rate Base & Authorized Return on Equity

## Last Rate Case Awarded - Largest Regulated Subsidiaries

 CALIFORNIA AMERICAN WATER	 ILLINOIS AMERICAN WATER	 INDIANA AMERICAN WATER	 KENTUCKY AMERICAN WATER	 MISSOURI AMERICAN WATER
---	---	--	---	---

Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	(g)
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	

 NEW JERSEY AMERICAN WATER	 NEW YORK AMERICAN WATER	 PENNSYLVANIA AMERICAN WATER	 VIRGINIA AMERICAN WATER	 WEST VIRGINIA AMERICAN WATER
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Authorized Rate Base*	\$2,386,790		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	9.75%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	9/21/2015		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	

\*Rate Base stated in \$000s

### Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

# Reconciliation Table: Closed & Pending Regulated Acquisitions

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Acquisitions				
2015 Closed Acquisitions				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
IN	2	546	—	546
MO	2	25	9,296	9,321
NJ	1	4,500	4,500	9,000
PA	2	55	245	300
Total	<b>7</b>	<b>5,126</b>	<b>14,041</b>	<b>19,167</b>
Announced Pending Acquisitions**				
(As of November 5, 2015)				
State	No of Acquisitions	Water Customers	Waste Water Customers	Total Customers
CA	5	2,590	253	2,843
IL	1	135	—	135
MO	4	254	399	653
NJ	2	104	5,300	5,404
NY	1	35	—	35
PA	3	196	4,060	4,256
Total	<b>16</b>	<b>3,314</b>	<b>10,012</b>	<b>13,326</b>

\*\*Announced pending defined as awaiting financial close, municipal and/or regulatory approval.

November 2015

# Reconciliation Tables: Adjusted Diluted Earnings Per Share From Continuing Operations

Diluted Earnings Per Common Share					
	2010	2011	2012	2013	2014
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35
Less:					
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>
Add:					
2013 Debt Tender Offer				\$ 0.14	
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>

Note: Amounts may not sum due to rounding





AMERICAN WATER  
**NYSE: AWK**

**INVESTOR DAY**  
December 15, 2015

# Greg Panagos

Vice President of Investor Relations



## Today's Agenda

# Safety Moment

# Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; potential costs and liabilities of American Water for environmental matters associated with the operations of Keystone Clearwater Solutions, LLC; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

## Today's Agenda and Speakers:



Strategy Overview:  
**Susan Story**



Regulated Operations:  
**Walter Lynch**



American Water Enterprises  
**Sharon Cameron**



Keystone Clearwater Solutions:  
**Ned Wehler**



2015 Financial Overview:  
**Linda Sullivan**



# Susan Story

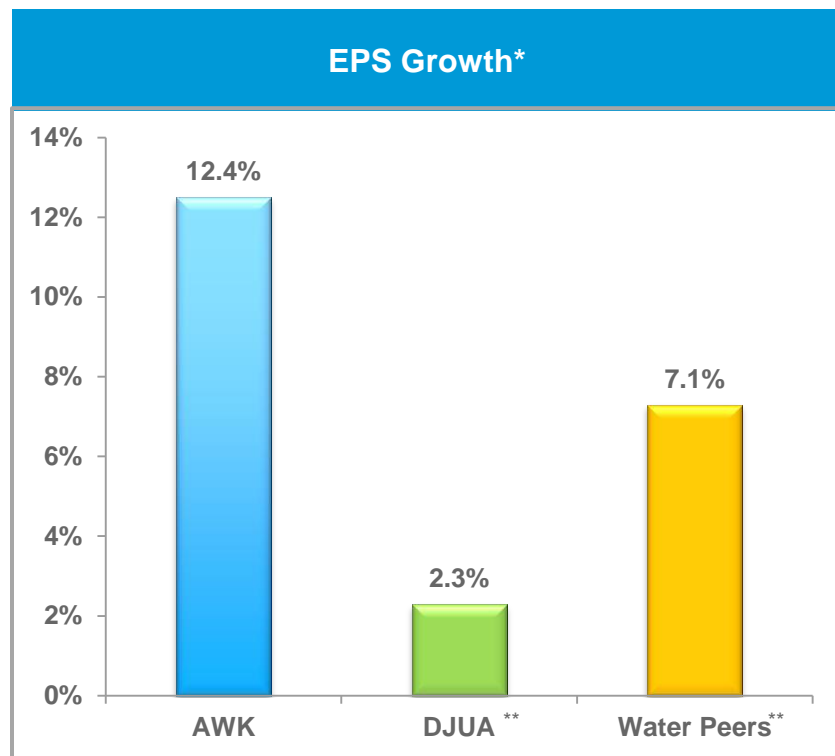
President and Chief Executive Officer



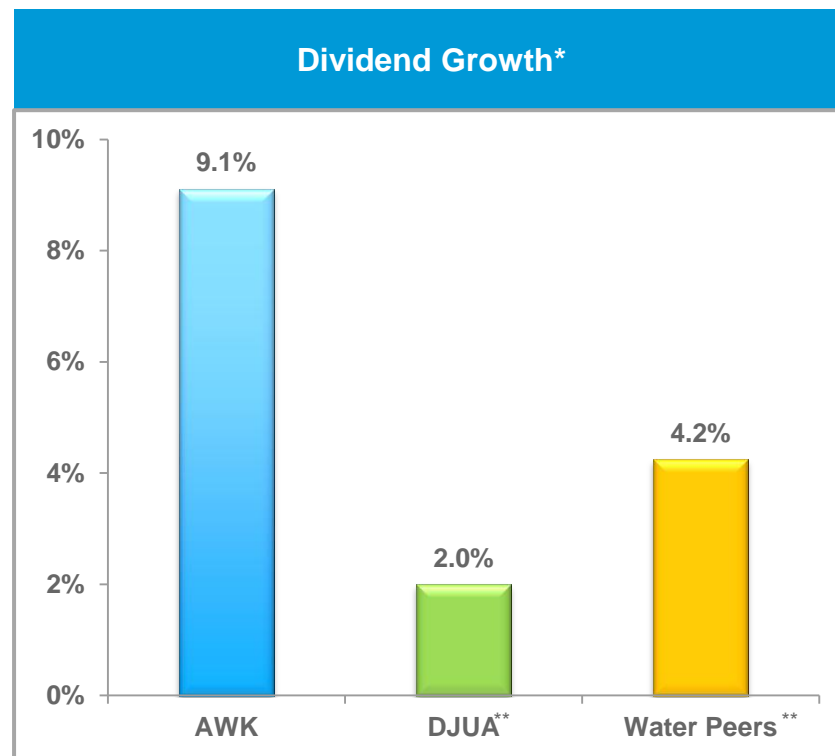
## Overview

# Utility Markets Today

## Demonstrated Superior Performance vs Peers: 2010-2015 Results in Leading Total Shareholder Returns



Source: Factset

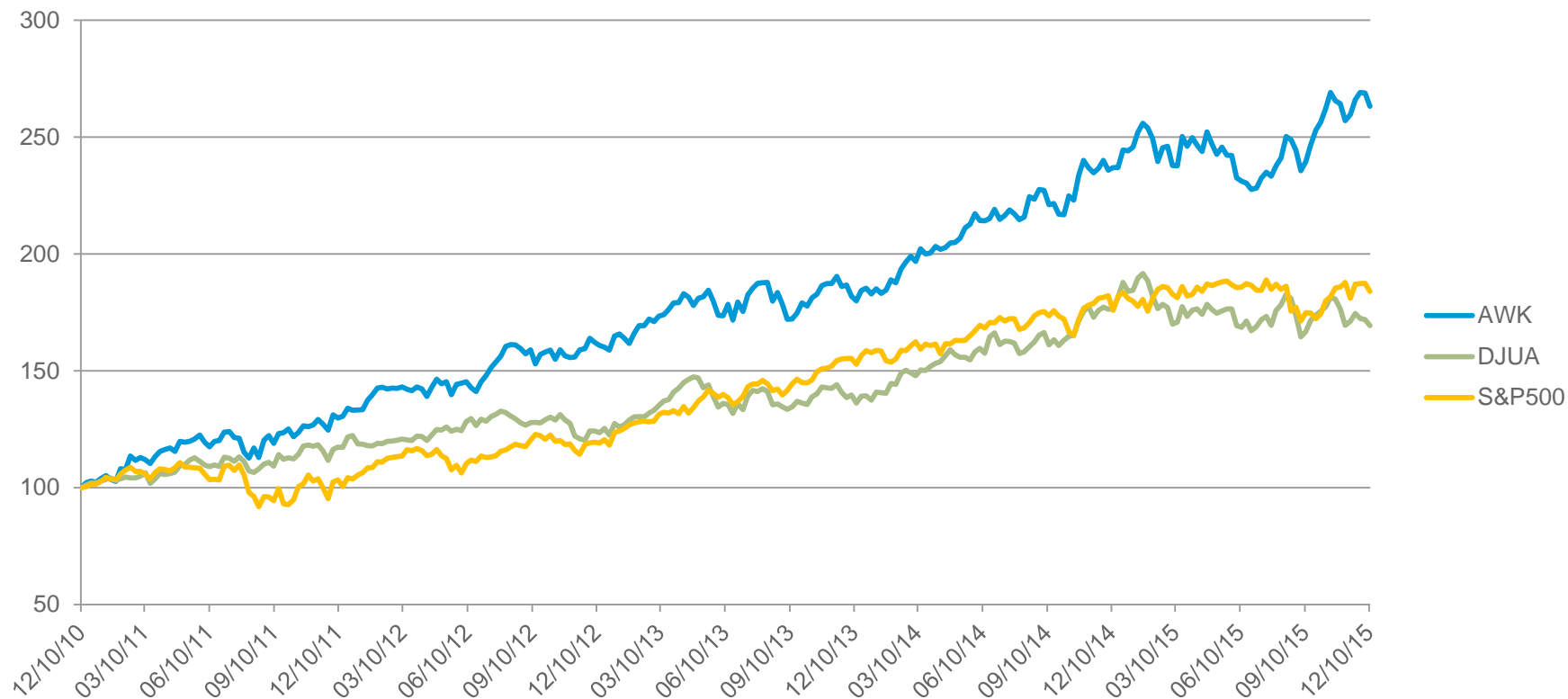


\*2015 EPS and dividends are based on year-to-date actuals through September 30 plus fourth quarter Factset consensus estimates.

\*\*DJUA includes: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO. Water peers include: AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW.



# Leading Total Shareholder Return



**\$100 investment in AWK 5 years ago, would be worth over \$260 today.**

# Why American Water?

**AWK**

## Growth

- EPS growth 7-10%, over next 5 years\*
- Multi-decade investment needs
- Fragmented market

- ✓ Top quartile
- ✓ Clear line of sight
- ✓ Water & wastewater

## People & Business Model

- Strong local presence and national scale
- Regulatory expertise
- Strong record of execution
- Broad and diversified experience
- Strong bench strength

- ✓ Personalized economies of scale
- ✓ Seasoned state leaders
- ✓ 2010-2015 EPS CAGR of 12.4%
- ✓ Multi-utility backgrounds
- ✓ Robust succession planning

## Risk Profile

- Smooth regulated capital deployment
- Absence of federal economic regulation
- Geographic diversity
- Market-based complementary businesses

- ✓ Flexible and sustainable
- ✓ Unlike electrics and gas
- ✓ Most diverse utility
- ✓ Regulated-like

## Financial Strength

- Dividend growth
- Strong credit ratings/access to capital
- Greater than \$10 billion market cap
- Strong cash flows

- ✓ Top quartile
- ✓ Top quartile
- ✓ Only water utility >\$10B
- ✓ No need to issue equity\*\*

\* Anchored from 2014, adjusted EPS

\*\* Under normal operating conditions

**Top-quartile  
Growth**

**Low Risk**

**Strong  
Financials**

**Best  
People**

**AWK**

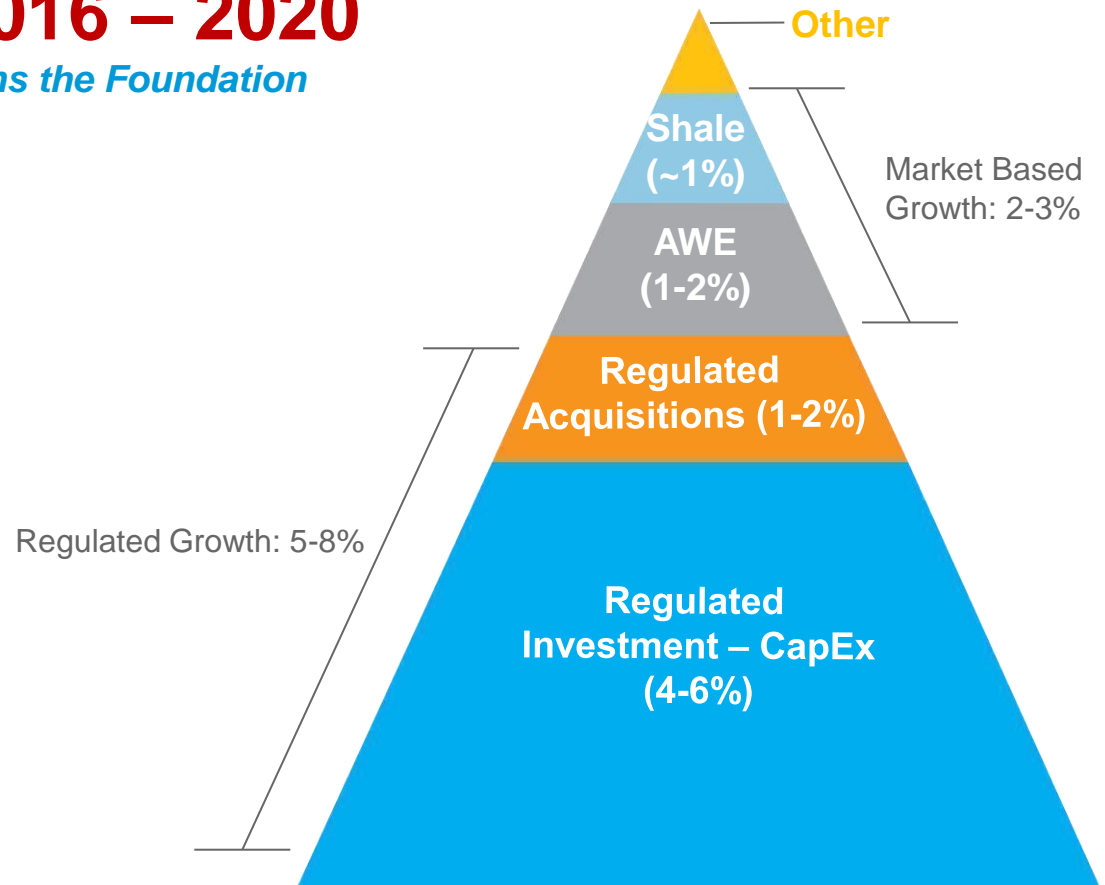
# Our Future: EPS Growth Target of 7-10% from 2016 – 2020

*Our Regulated Business Remains the Foundation*

- Great investment opportunity
- Outstanding execution
- Best people in the industry

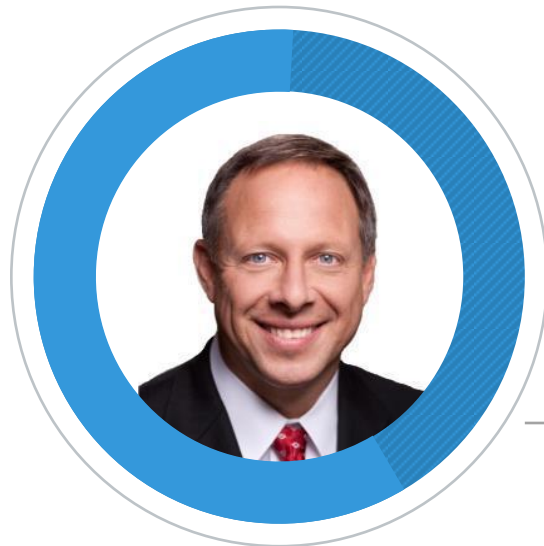
*\*Anchored from adjusted FY 2014.*

2016 – 2020 Plan\*

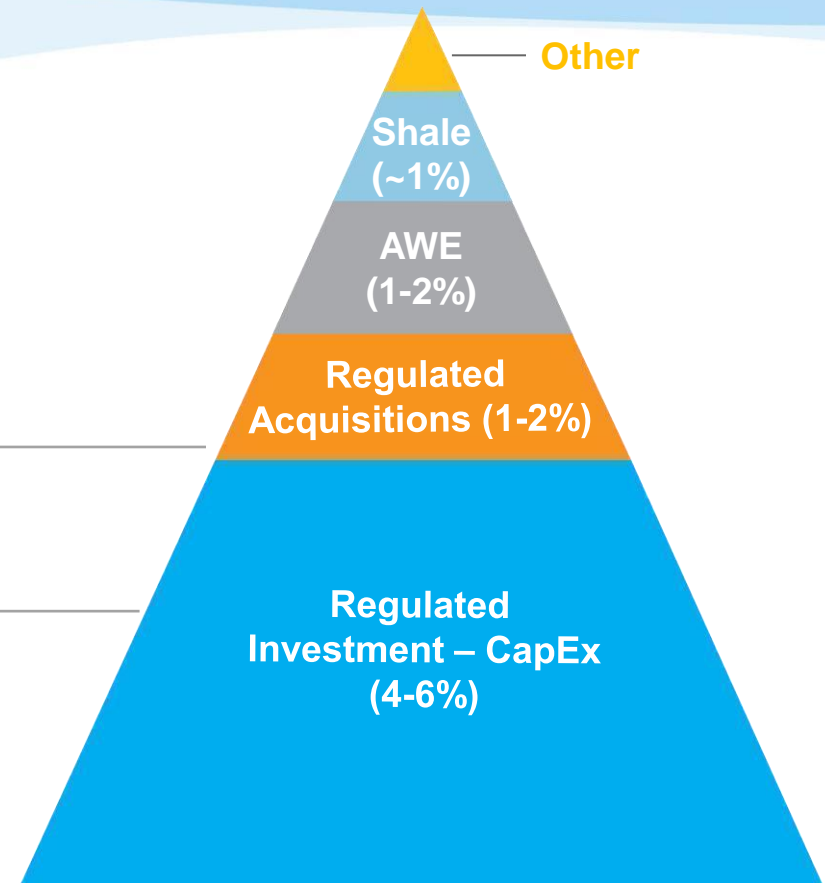
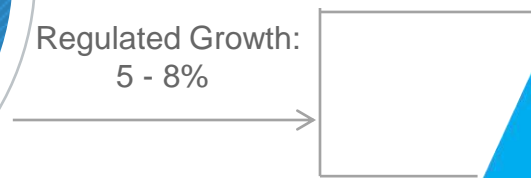


# Walter Lynch

President and Chief Operating Officer  
Regulated Operations



Regulated Growth:  
5 - 8%



# The Dominant Player in the Water Industry



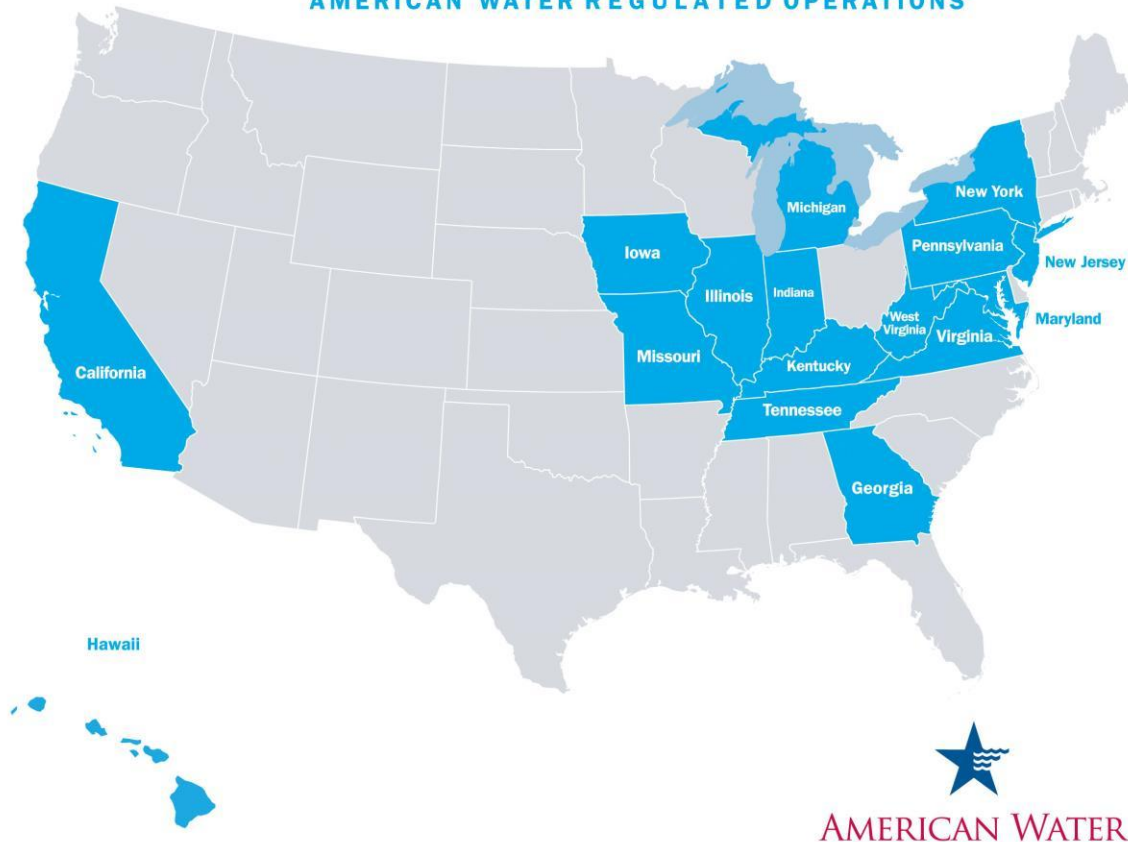
We manage more than **370** individual water systems across the country

Every day we operate and manage:

- **48,000** miles of distribution and collection mains
- **81** surface water treatment plants
- **89** dams
- **100** wastewater treatment facilities
- **500** groundwater treatment plants
- **1,000** groundwater wells
- **1,200** treated water storage facilities
- **1,300** pumping stations

# Our Geographic Diversity is a Key Competitive Advantage

## AMERICAN WATER REGULATED OPERATIONS



State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652	25%
Pennsylvania	605	23%
Missouri	270	10%
Illinois	262	10%
California	210	8%
Indiana	201	7%
West Virginia	127	5%
Other	347	12%
Total Regulated Business	\$2,674	100%



# Strong Leadership with Extensive Water Experience



Alan DeBoy  
VP Opr. Excellence



Bruce Hauk  
President, Illinois



Rob Maclean  
President,  
California/Hawaii



Cheryl Norton  
President, Missouri



Kathy Pape  
Sr. VP Mid-Atlantic  
Division and  
President, Pennsylvania



Nick Rowe  
Sr. VP Central  
Division and  
President, Kentucky



Karla Teasley  
VP Customer Svc



Bill Varley  
Sr. VP Northeast  
Division and  
President, New Jersey

**Combined 200 Years** of regulated water utility experience!

## Critical Need for Investments

- By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed...  
*... We replace about 350 miles of pipe each year*
- In USA 2 trillion gallons of treated water is lost each year...  
*... Our water loss is 20% vs. industry average 25%*
- 900 billion gallons of untreated sewage is discharged every year...  
*... Invested \$175M in wastewater infrastructure since 2010*
- Nationwide \$1 trillion is required in water and wastewater systems over the next 20 years...  
*... multi-decade investment need*



Our **48,000 miles** of pipe would stretch around the world twice



Wooden water pipes

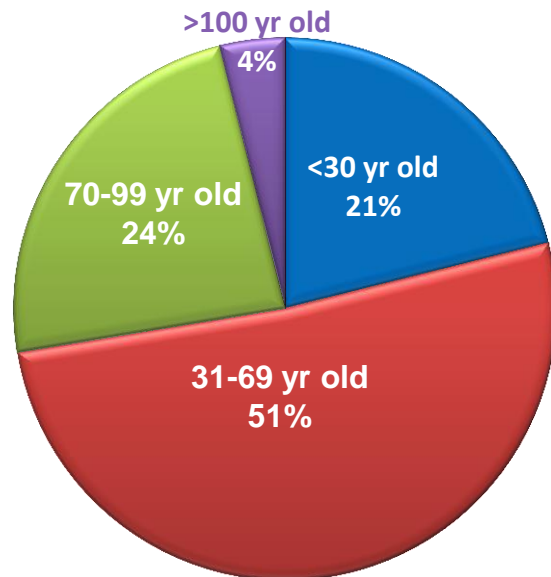


Corroded water pipe



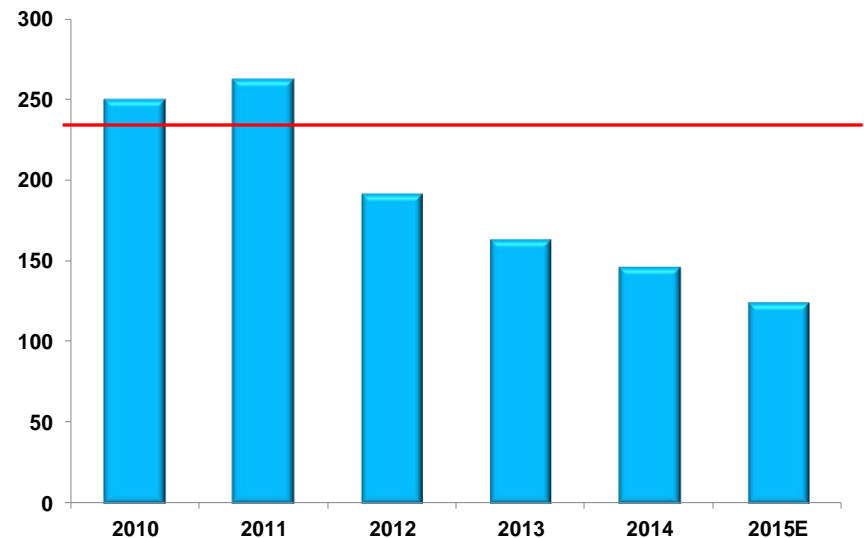
# Multi-decade Investment Need

Pipe Age Distribution – AW System



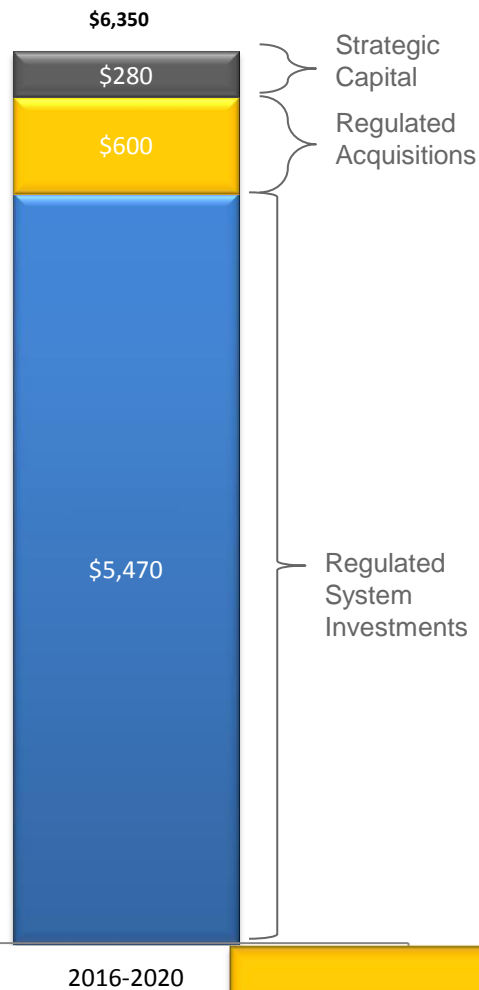
Over 25% of pipes are 70 years or older

American Water Pipe Replacement Rate (in years)

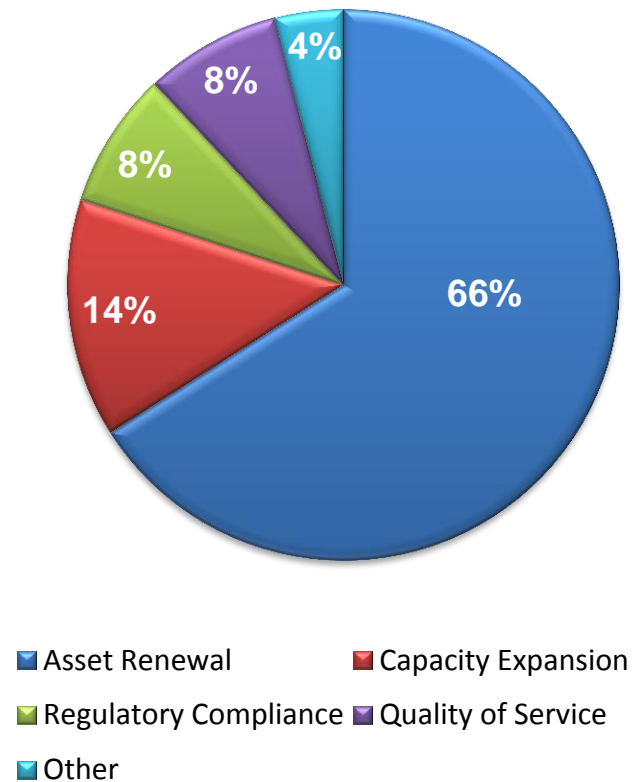


Pipe Replacement rate is shortening

# **\$6.4 Billion of Investments From 2016 – 2020** **\$5.5 Billion of Regulated System Investments**

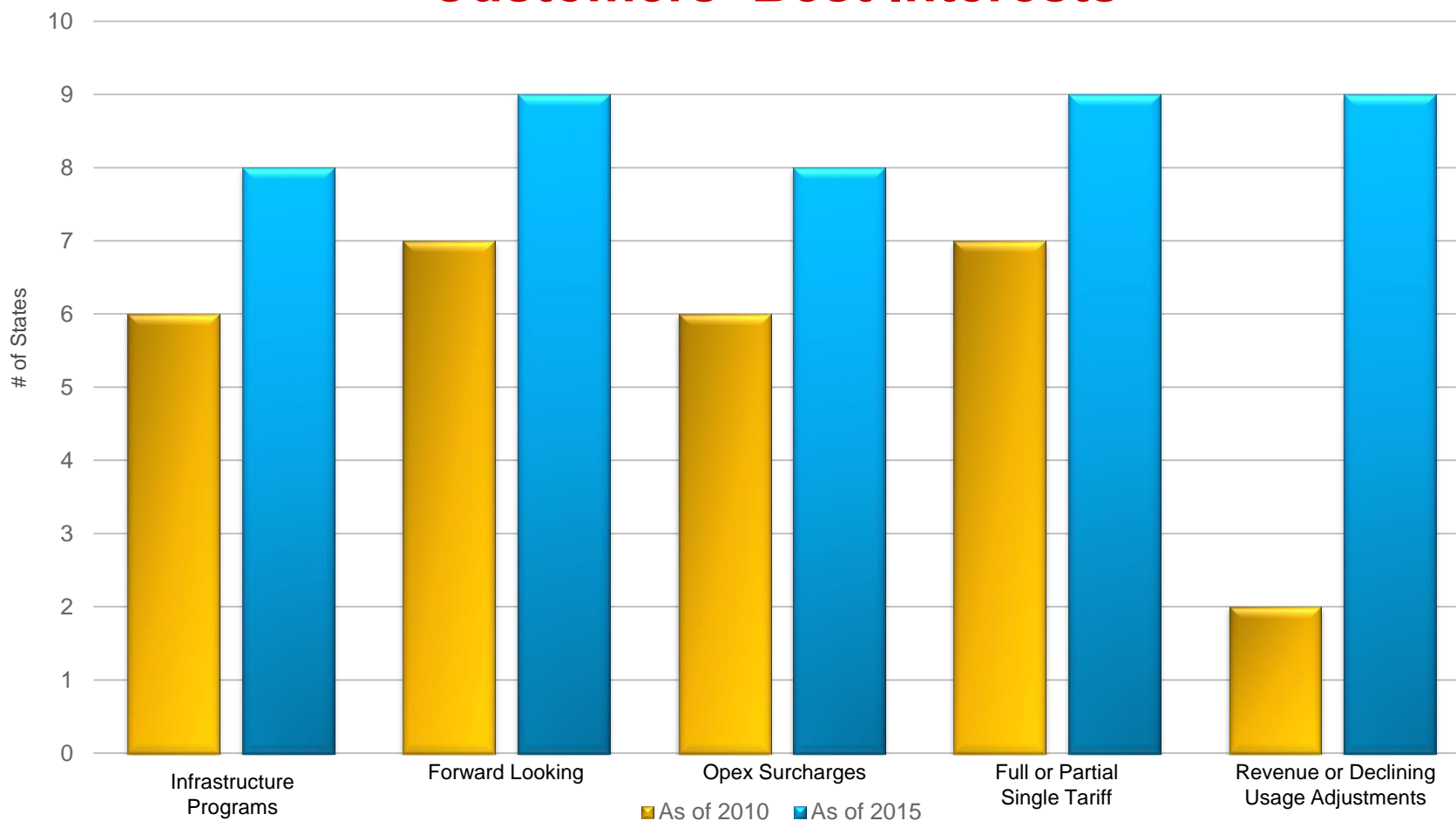


**2016 - 2020 Average Regulated Capital Expenditures by Purpose**



**~\$3.6B Toward Asset Renewal**

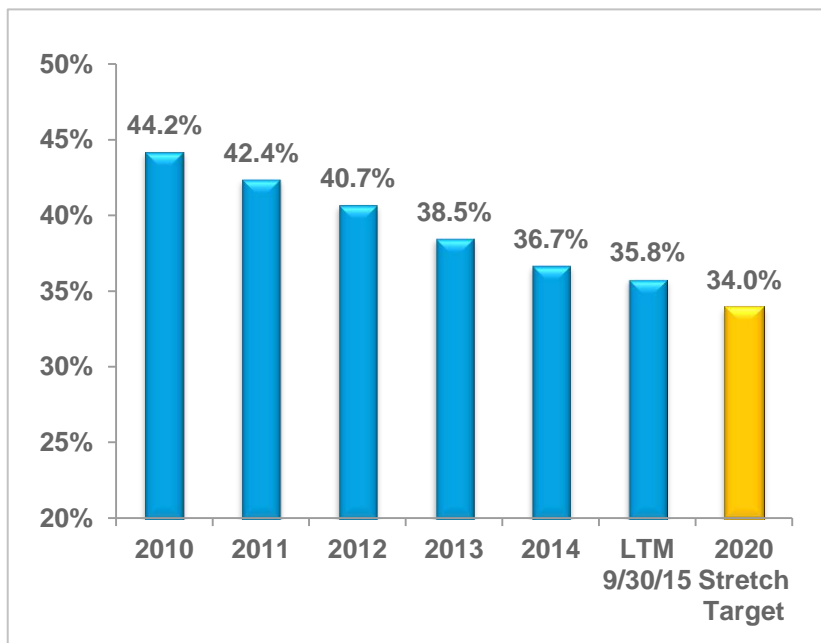
## More Timely Return on Investment Supports Customers' Best Interests



**15** New Regulatory Mechanisms Across Our Footprint Since 2010

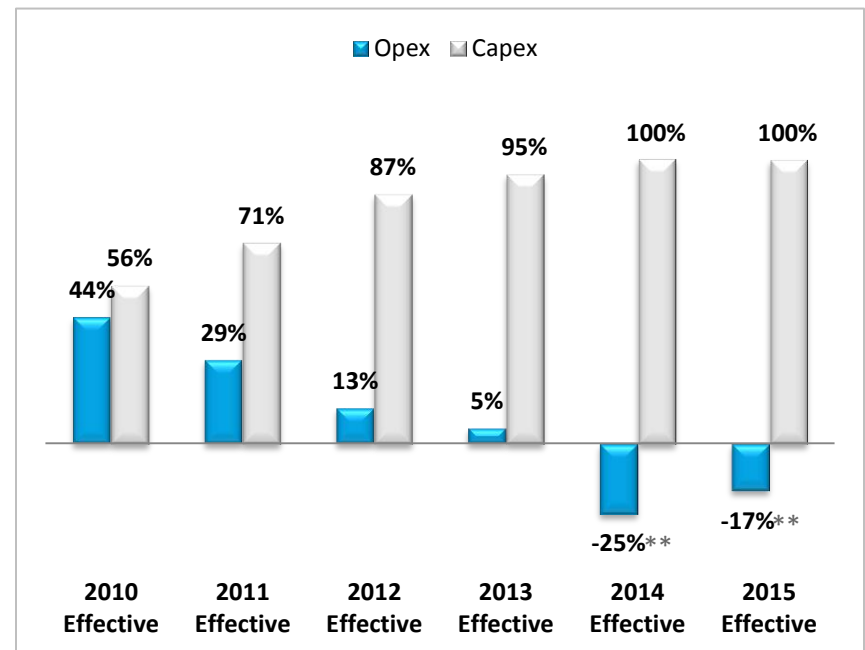
# O&M Efficiency Creates Running Room to Invest

**O&M Efficiency Ratio**  
 Stretch Target of 34% by 2020



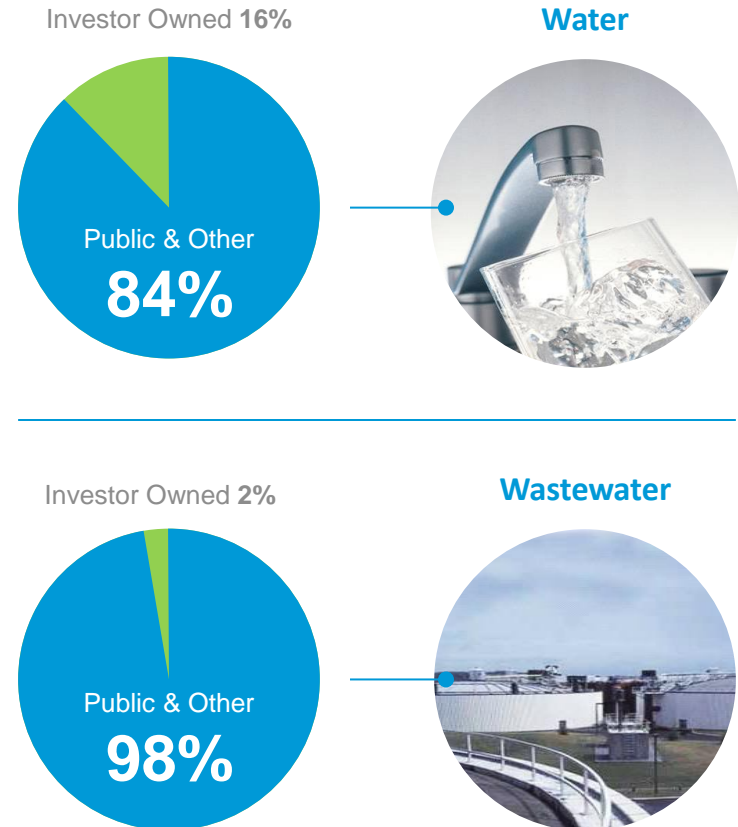
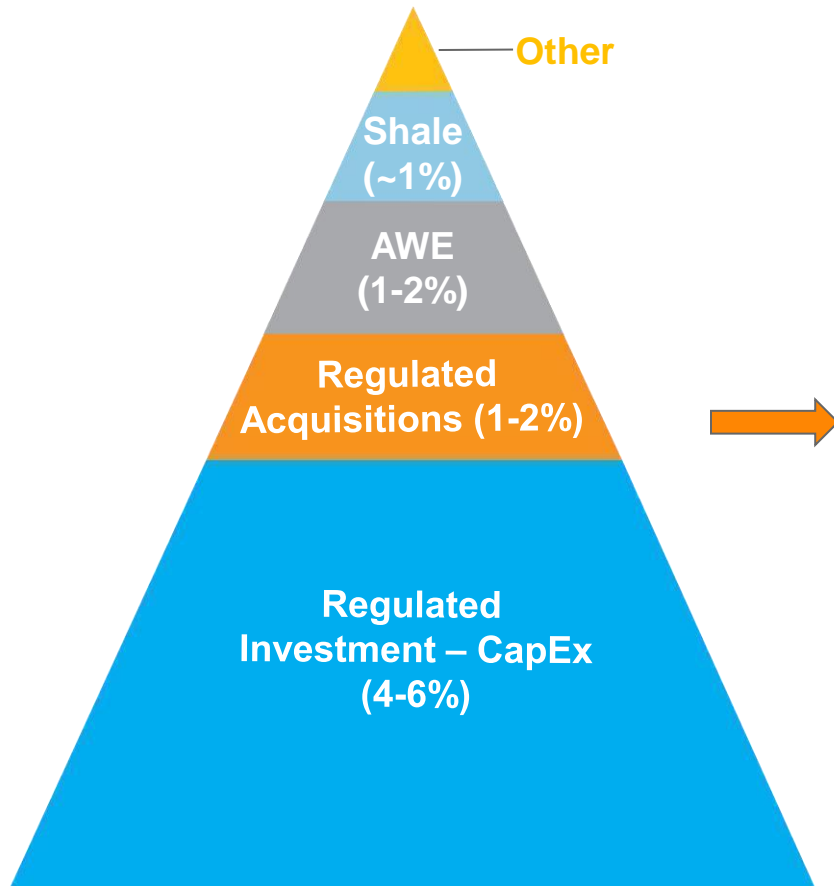
Note:  
 O&M Efficiency Ratio - Non GAAP Measure – See appendix for reconciliation.

**Incremental Revenue Requirement\***  
 -Increases Attributable to Opex vs. Capex-



Note:  
 \* Approximation in states where we reached settlement.  
 \*\* For general rate cases effective in 2014 and 2015, the incremental revenue requirement was reduced by 25% and 17%, respectively. This amount represents the additional capital that could be invested without impact to customer bills.

# Highly Fragmented Water Industry Creates Opportunity



The majority of water systems in the US are owned by capital constrained entities

## Enabling Growth and Consolidation: Eight States



### Act 11:

- HB 1294, Effective Feb 14, 2012
- Single tariff for water and wastewater
- Enables inclusion of wastewater rates into overall rates



### Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



### Distressed Utility Acquisition Bill:

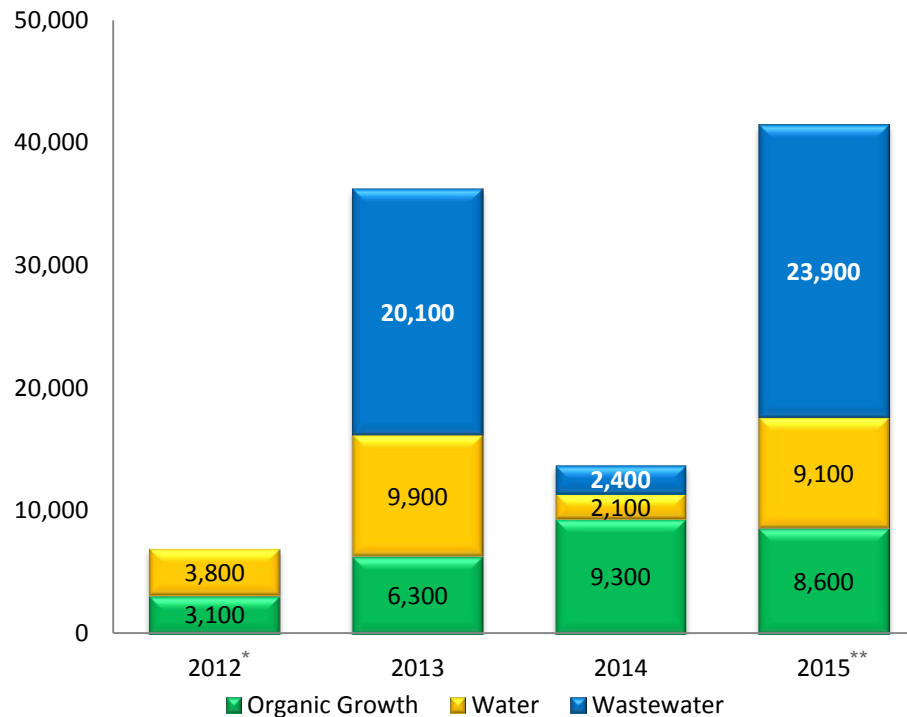
- House Enrolled Act 1319, Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

### Other States With Similar Acquisition Adjustments:



Since 2010, 5 states have added new legislation supporting industry consolidation

## Adding Customers Through Acquisitions and Organic Growth



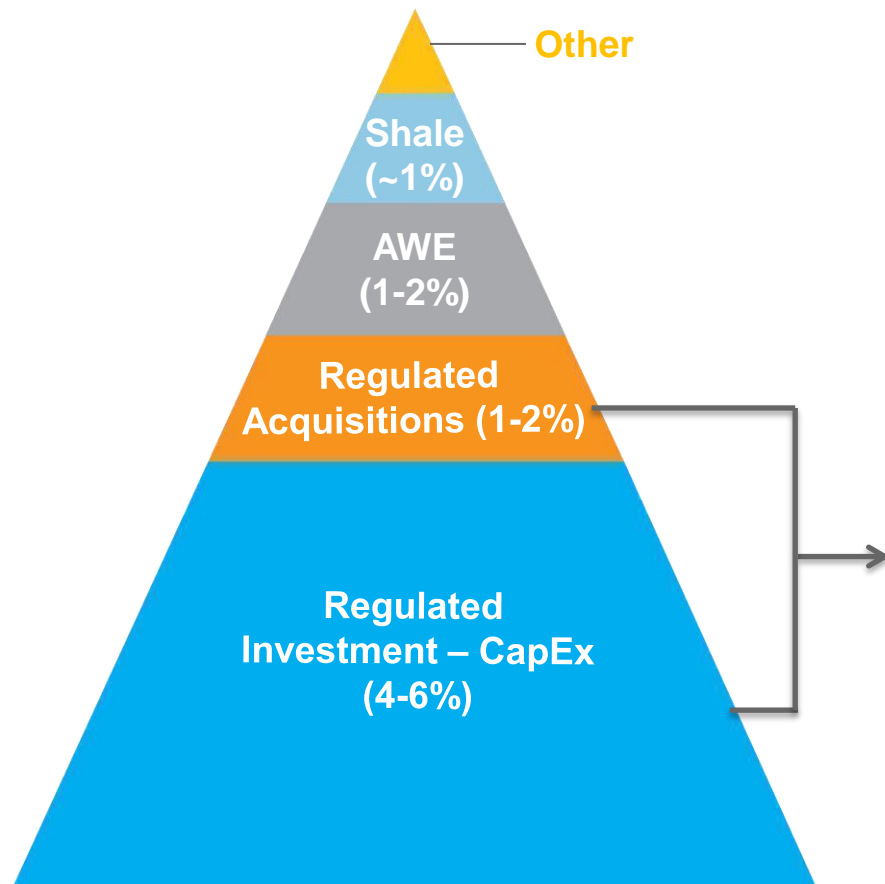
State	Approximate Customer Connections
Target A	31,000
Target B	20,000
Target C	19,000
Target D	12,500
Target E	12,500
Target F	11,000

Of 3.26 million customers, 3.10 million are water only

\* Excludes acquisition of New York.

\*\* 2015 Organic Growth calculated based on actual organic growth through September 30 plus historical three year trending analysis for the final quarter of 2015. 2015 acquisitions are based on transactions closed, as well as signed agreements that are pending regulatory action in 2015 and 2016.

# Regulated Businesses | Going Forward.....



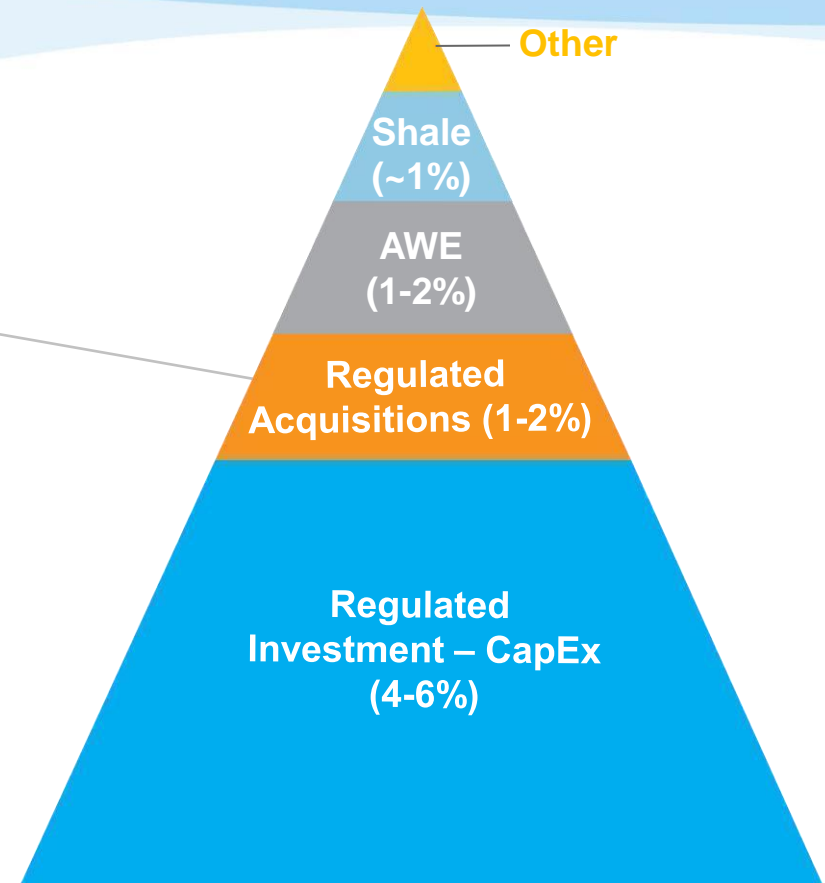
- We will invest about \$1.1B per year in our assets...  
 ....While keeping bill increases to ~2.6% on avg.\*
  - ❖ Pursue constructive regulatory mechanisms...  
 ....Timely return on investment
  - ❖ Leverage technology to become more efficient ...  
 ....O&M efficiency target of 34% by 2020
- Pursue constructive acquisition legislation...  
 ....Focus on wastewater

\*Expected growth in average customer bills for five largest states of New Jersey, Pennsylvania, Indiana, Missouri and Illinois.



# Sharon Cameron

President, American Water Enterprises



# AWE Strengthens American Water



## *Financially:*

- Accelerates growth by leveraging our core skills outside of our regulated footprint
- Regulated-like risk profile



## *Culturally:*

- Increases customer satisfaction
- Develops new expertise that can benefit the regulated business
- Nurtures competitive-minded talent
- Builds the brand

# Serving a Broad Range of Customers

## Lines of Business



Military Services



Homeowner Services



Contract Services

## Drivers of “Regulated-like” Results

- ☐ Long-term contracts & relationships
- ☐ Predictable, stable revenue
- ☐ Growing geographically diversified markets
- ☐ Low levels of capital investment

# Military Services Group Utility Privatization on U.S. Military Bases

## Regulated Business Similarities:

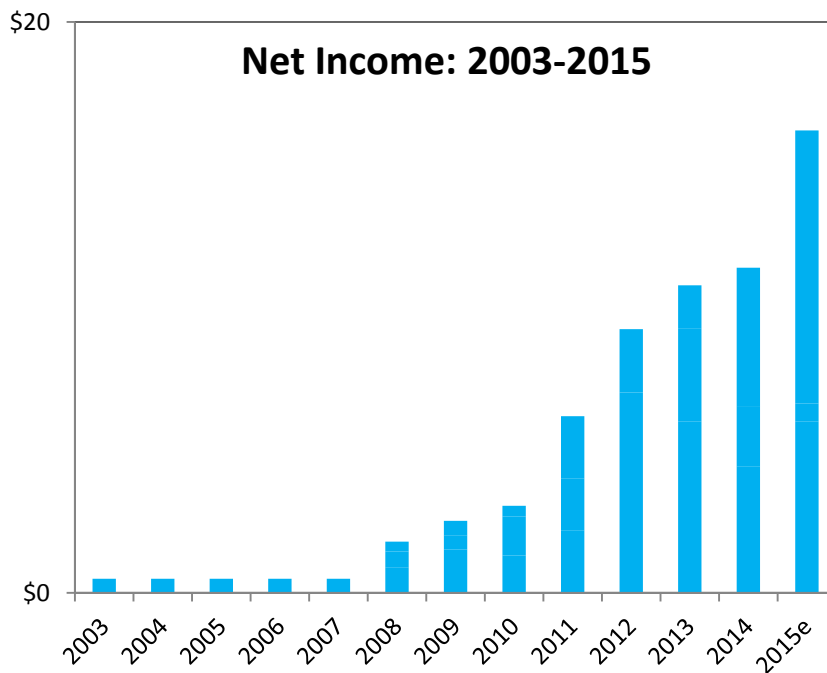
- Water & wastewater operations and capital improvements
- 50-year contract term
- Predictable revenue (not consumption based)
- Periodic price adjustments with defined rules
- Geographic diversity



## Business Status:

- One customer = clear focus on their unique needs
- 12 contracts – most of any provider
- Growing - 33 new opportunities in next 10 years
- 4 AWWA Director awards for water system optimization
- 300 employees – 22% US Veterans
- Transitioning Vandenberg AFB
- Supporting customer with energy reduction projects

# Military Services Historical Growth



Bases	2	3	3	4	6	8	10	10	10	9	9	11	12
-------	---	---	---	---	---	---	----	----	----	---	---	----	----

Operating & Maintenance: 65%  
 Infrastructure Upgrades: 25%  
 Initial System Deficiency Correction: 10%

## Current Opportunities:

- 12 bases with 38+ remaining years
- Infrastructure upgrades
- Win new bases  
*33 opportunities*

## Emerging Opportunities:

- Expand service delivery through federal sustainability order  
*reduce electricity use, conserve water, water reuse, geothermal*
- Changing customer needs  
*storm water, drought, industrial wastewater treatment, changes in national defense platform*

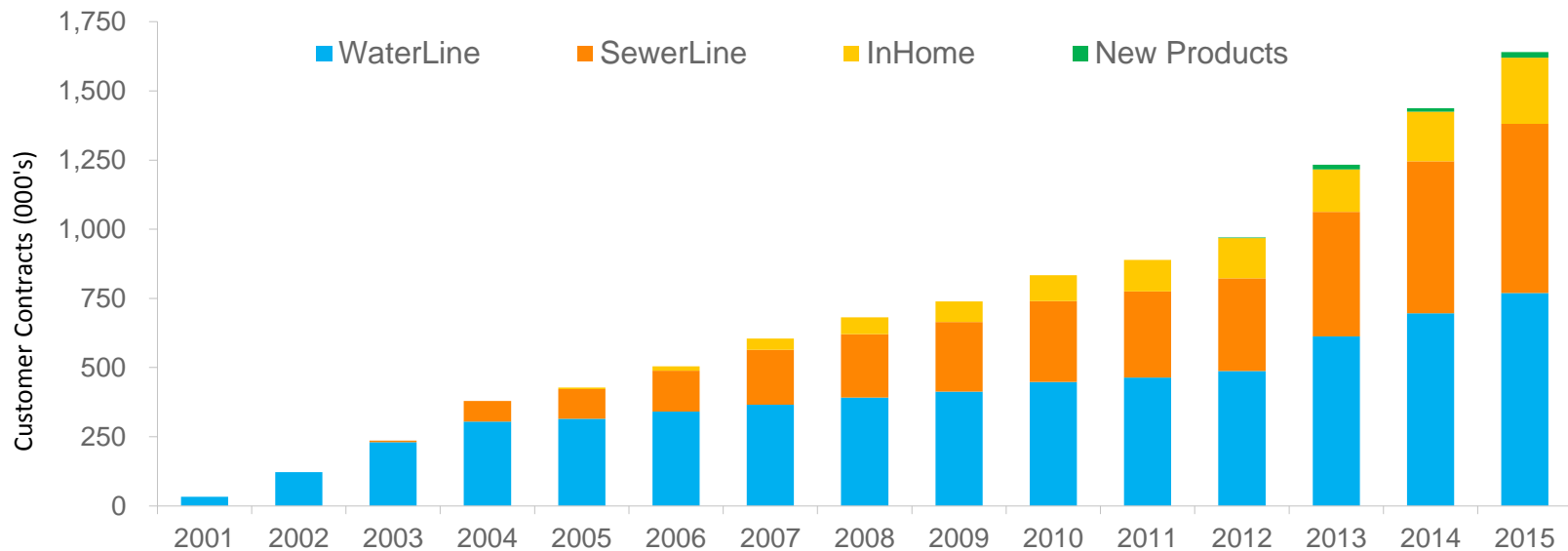
# Homeowner Services

## Regulated Business Similarities:

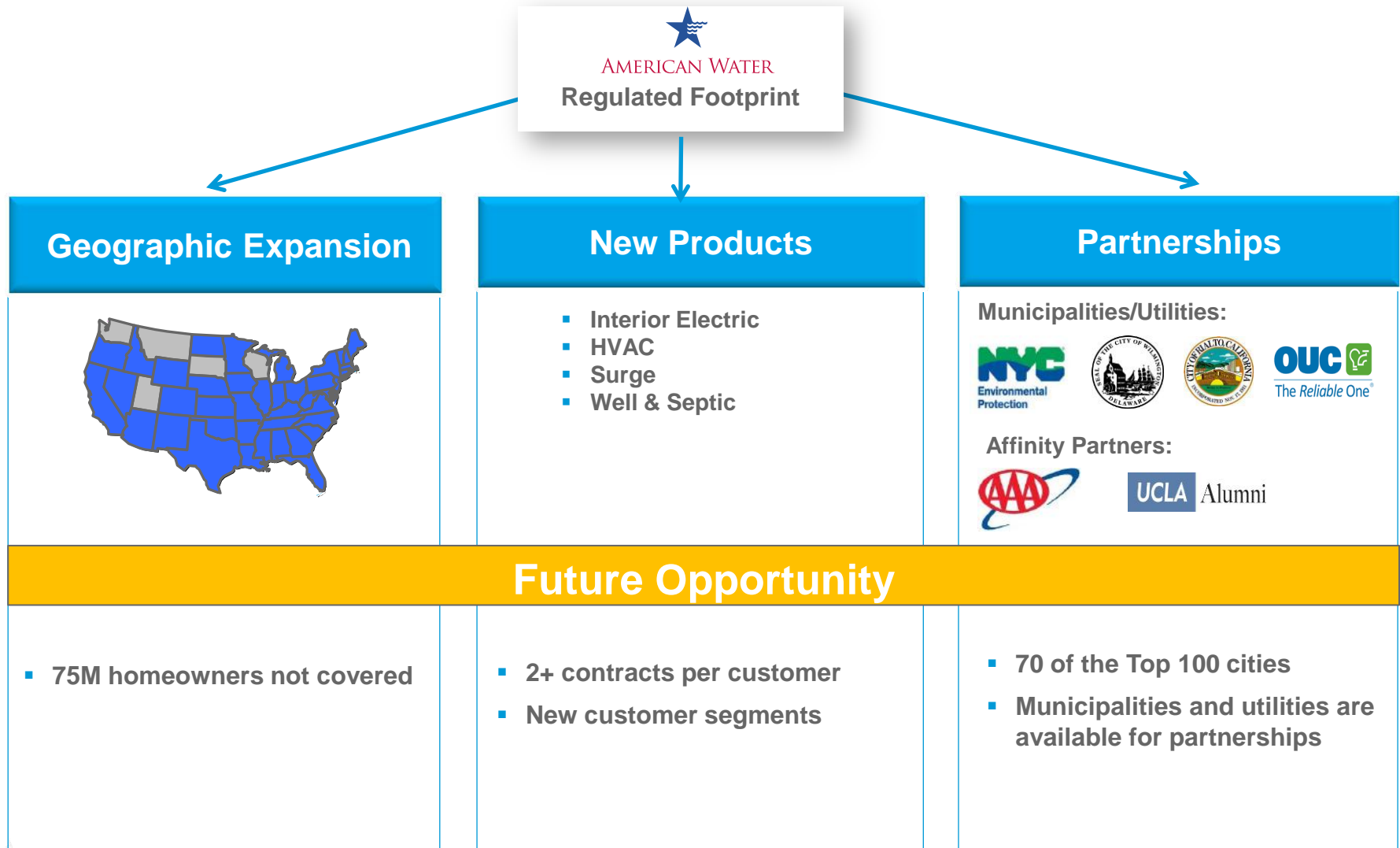
- Warranties - predictable subscription based revenue
- Geographic diversity
- Periodic price adjustments

## Business Status:

- 780K customers; 1.6M contracts
- 97% customer satisfaction
- High retention rates
- “A+” Better Business Bureau rating
- 260 employees
- 43 states + Washington DC



# Homeowner Services Growth Strategy



# Contract Services Group

## Solving Municipal, Commercial and Industrial Water and Wastewater Needs

### Business Status

#### Key Municipal Clients

City of Phoenix  
Seattle Public Utilities  
Tampa Bay Water  
Fulton County Georgia

#### Key Industrial Clients

Frito-Lay  
JBS Swift  
Coca-Cola  
HEB Grocery  
Hershey Chocolate

#### Services include:

Water and wastewater O&M  
Utility customer service  
Wastewater reuse  
Large scale seawater desalination

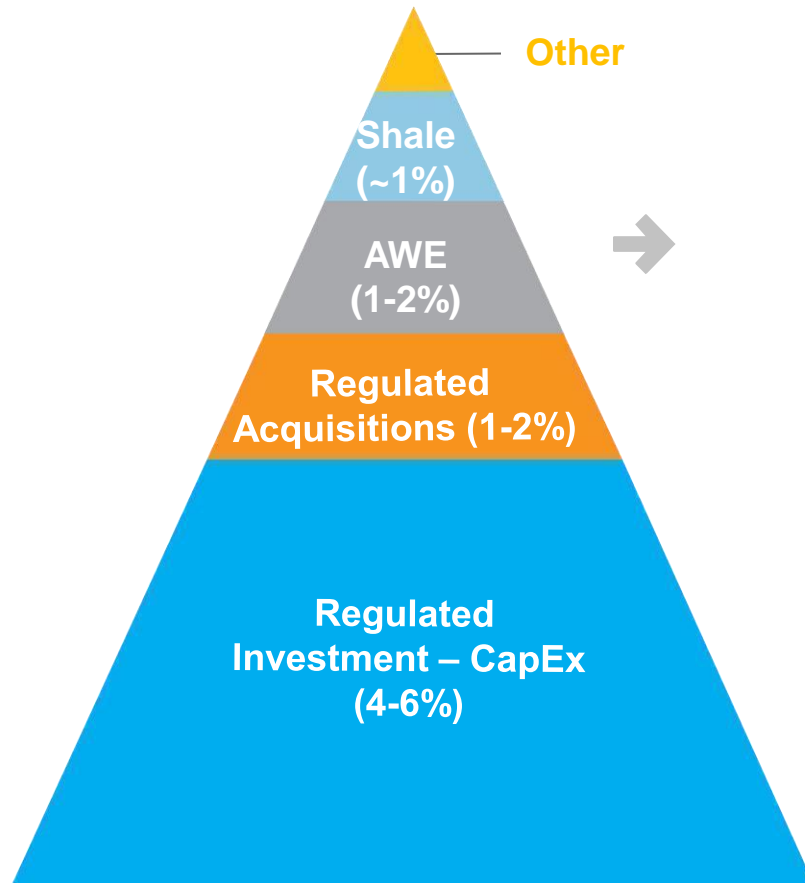
- 53 Contracts: 30 municipal, 10 industrial, 13 commercial
- Operate in 17 states plus Ontario
- 270 employees

### Business Value

- Industry leader in commercializing emerging technologies
  - ✓ Rehabilitated, operate and maintain Tampa Bay Water desalination plant
    - largest in North America at 25MGD
  - ✓ Design, build and operate lead for the award winning Fillmore, CA reuse plant
  - ✓ Designed, built and operate reuse water system for Gillette Stadium in Foxboro, MA
  - ✓ Future opportunities: waste-to-energy, source water
- Strategic business platform to support regulated acquisitions



# American Water Enterprises | Going Forward.....



- Serve our customers with executional excellence
- Continue to win new customers...  
-*New bases and new partnerships*
- Expand our products and services to further meet our customers' needs

# Break

# Susan Story

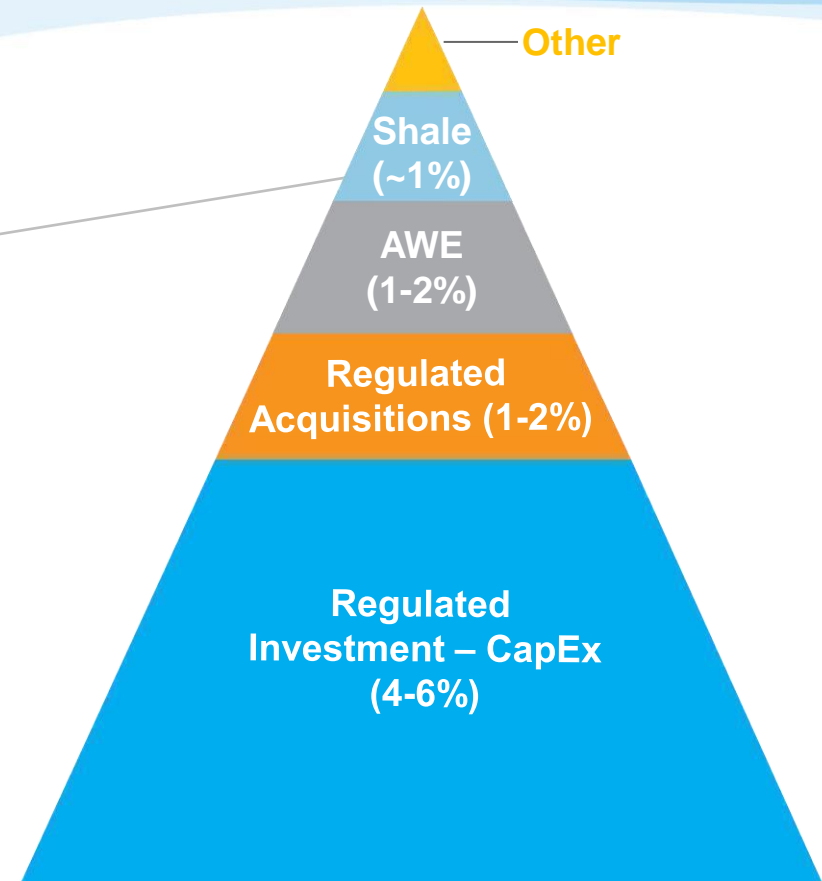
President and Chief Executive Officer



## Shale Introduction

# Ned Wehler

CEO, Keystone Clearwater



## Market Overview – Decades of Exploration and Production Opportunities

- Well completion technology is water enabled and water dependent
- Appalachian Basin – a still rising resource - Utica potential and proven Marcellus
- American Water-Keystone Clearwater – ideally positioned for decades of sustained business



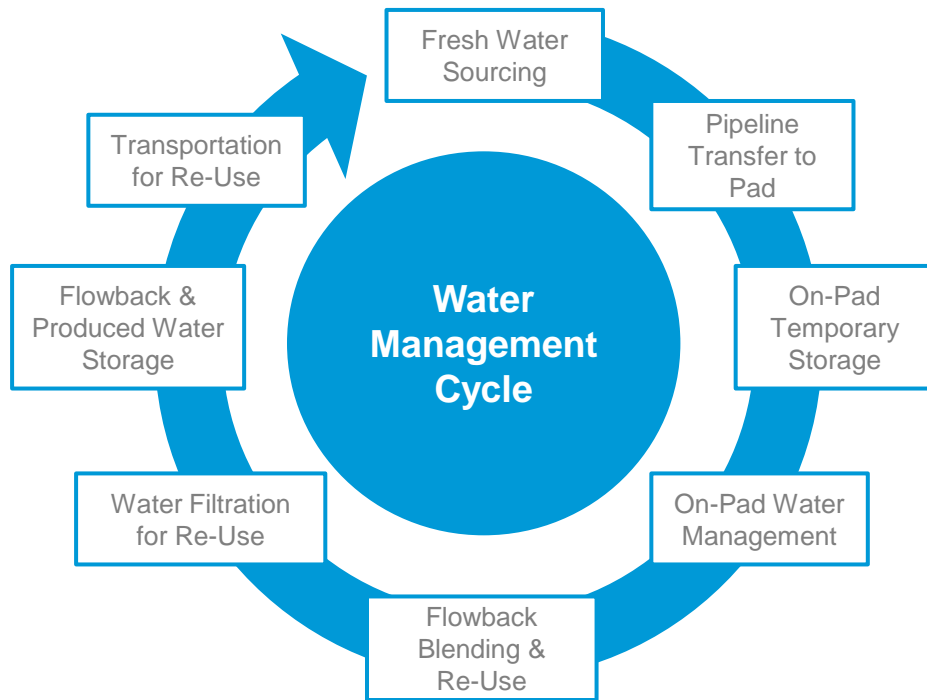
# Market Analysis – Short Term and Long-Term Prospects

- **Short Term – 2016 Outlook**
  - 20-30% lower completion activity
  - constrained takeaway capacity
  - drawdown of excess storage
  - El Nino pattern
  - water infrastructure build-out
- **Long Term – 2017 and Beyond**
  - 10-20% gain in completion activity
  - new takeaway capacity
  - demand increases – power burn, LNG, lowest cost gas [Appalachian-basin]
  - gas prices inching up



**Water Supply, Transfer, Filtration, Re-Use & Storage;  
Pipeline Construction, and Transport Solutions**

# Complete Water Sourcing and Transfer Services



## Services include:

- Water Sourcing
- Pipeline Construction
- Water and Equipment Hauling
- Water Transfer
- Water System Operation & Maintenance
- Water Storage Solutions
- Design/Build/Own/Operate
- Served 20 customers at July 2015 close
  - Added 7 new customers since July

# Our Competitive Advantage

## Core Focus

## What Does It Mean for the Customer?

### Total Water Management Solution



Vertical integration saves customers time and expense while providing one-stop shopping

### Appalachian Basin Expertise



Senior management has developed technical and environmental knowledge and experience in the Appalachian Basin for over 30 years

### Technical Knowledge to Handle Complex Projects



Keystone's unique regulatory and engineering experience consistently leads to on-time, on-budget projects despite complex terrain and other challenges

### Low Cost Provider



Bundled services and premier technology allow Keystone to offer competitive pricing while maintaining strong margins

### Strong Reputation



2015 Awards – 1) Northeast Water Management Company of the Year and 2) second straight year as Central Pennsylvania Business Journal's "Fastest Growing Company"



## Strategy for Growth

**Penetration  
in existing  
markets**

**Our customer base allows for wallet share gain  
and expanded services**

**Expansion of  
customer  
base**

**Pursuing 20+ identified new customers**

**Design, build  
own &  
operate**

**Capital constrained E&P producers are  
receptive to Keystone expanding into an  
ownership role of main transmission lines**

# Risks and Risk Mitigation

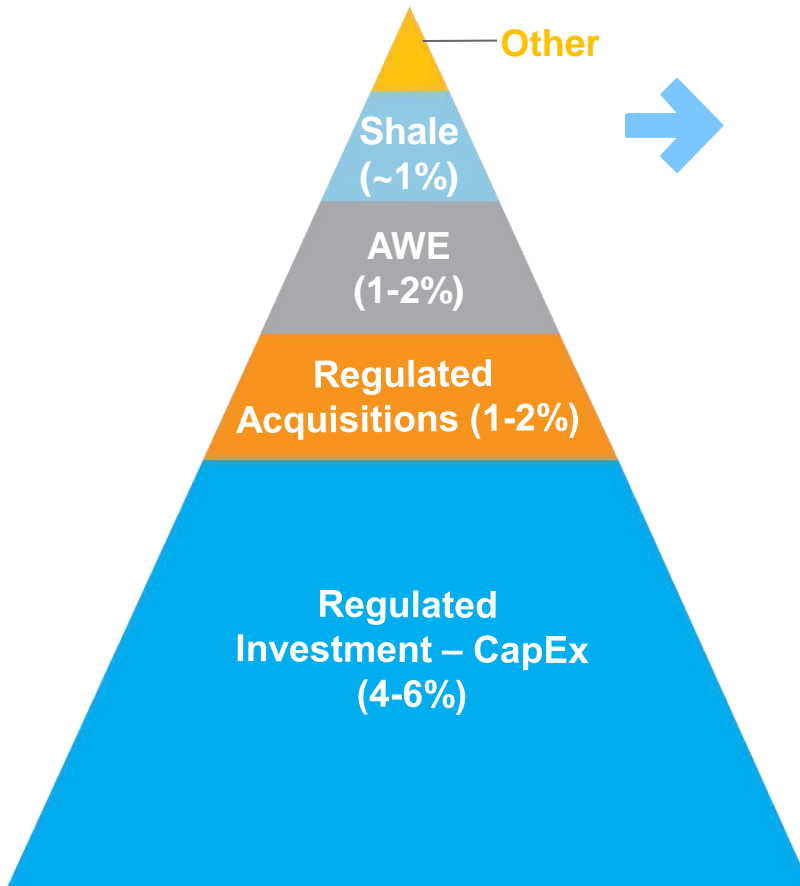
## Risks

1. Revenue and margin volatility
2. Declining completion counts
3. Large integrated pipeline infrastructure deals

## Mitigation Strategy

1. 5-year contracts + variable cost + customer additions
2. Design-Build-Own-Operate solutions w/contracts of 5 years plus
3. Broaden/diversify services to maintenance and treatment

# Keystone Clearwater | Going Forward.....



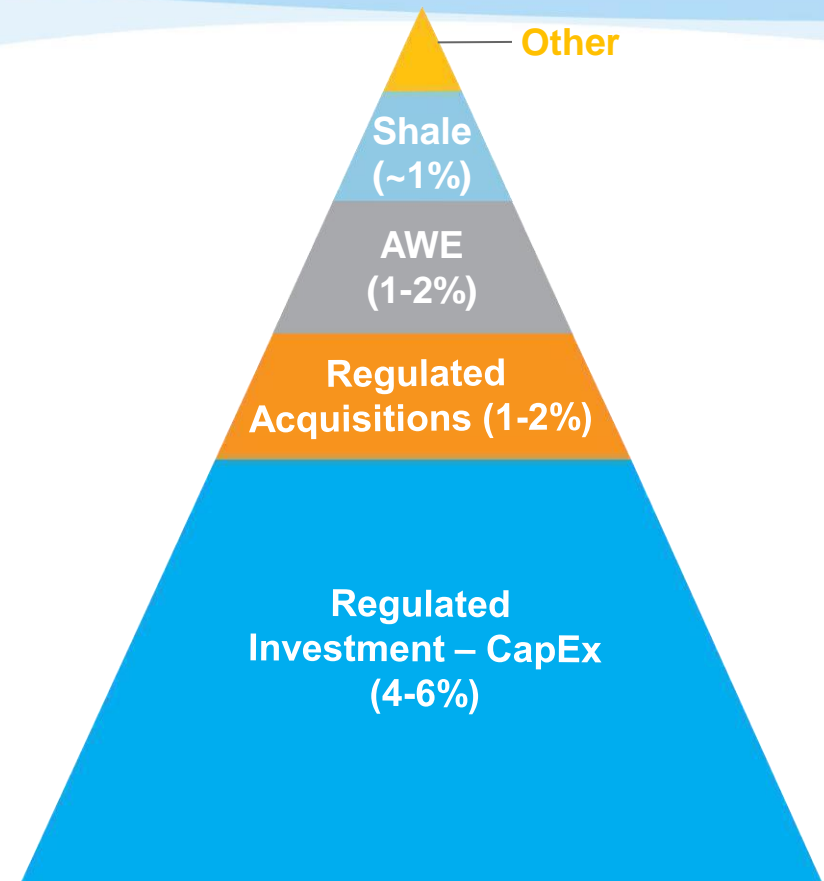
- ✓ We will leverage synergies from our partnership with American Water...  
*... Power of brand, financial strength + size, scale & reputation*
- ✓ Build a predictable business model...  
*... Obtain long-term contracts – supply + pipeline + storage operations*
- ✓ Own and Operate Water Pipelines & Storage Facilities...  
*... Lower risk and provide capital with attractive returns*
- ✓ Grow Wallet Share and Add Customers...  
*... Increase market share*

# Linda Sullivan

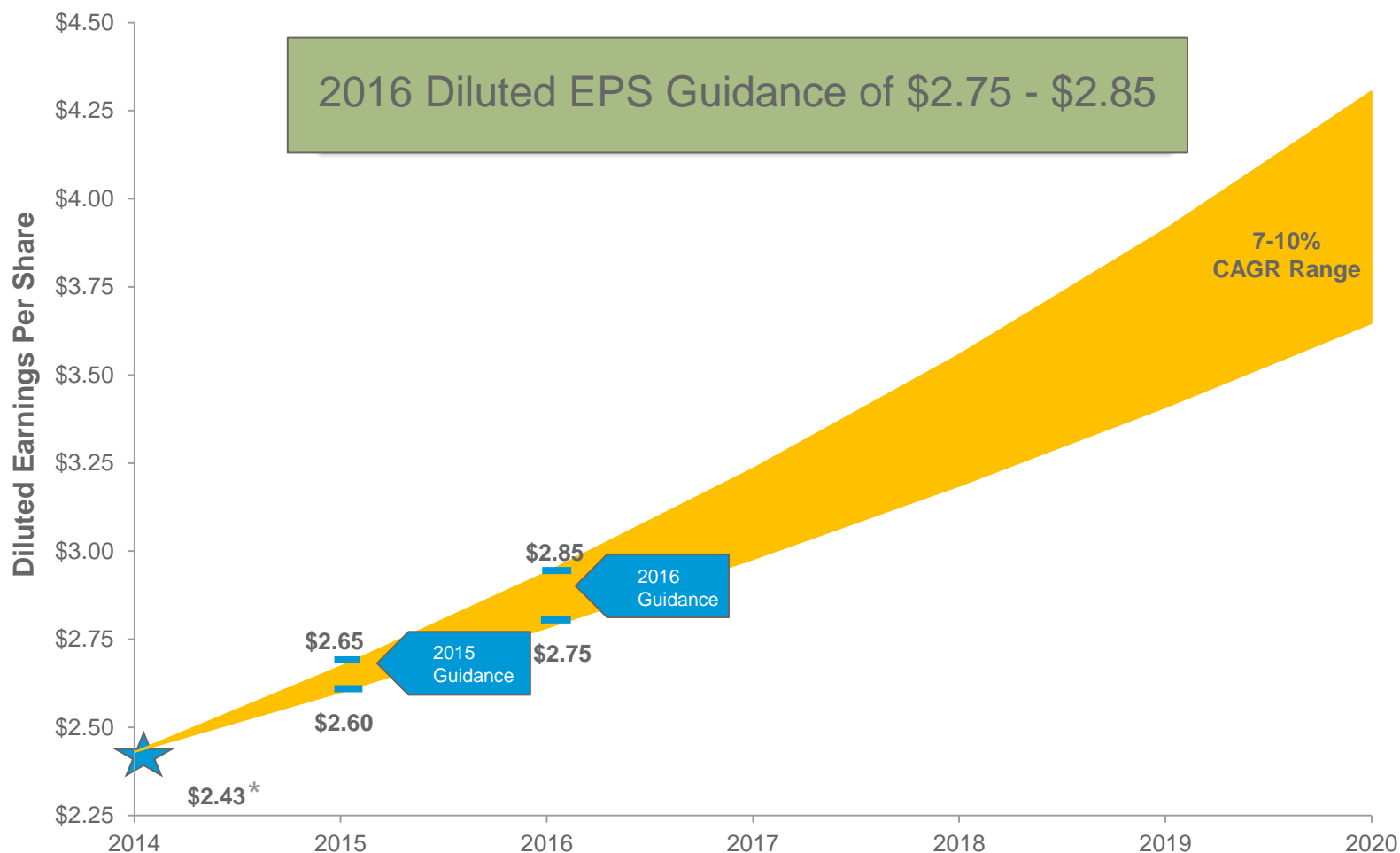
Senior Vice President and  
Chief Financial Officer



## Financial Overview

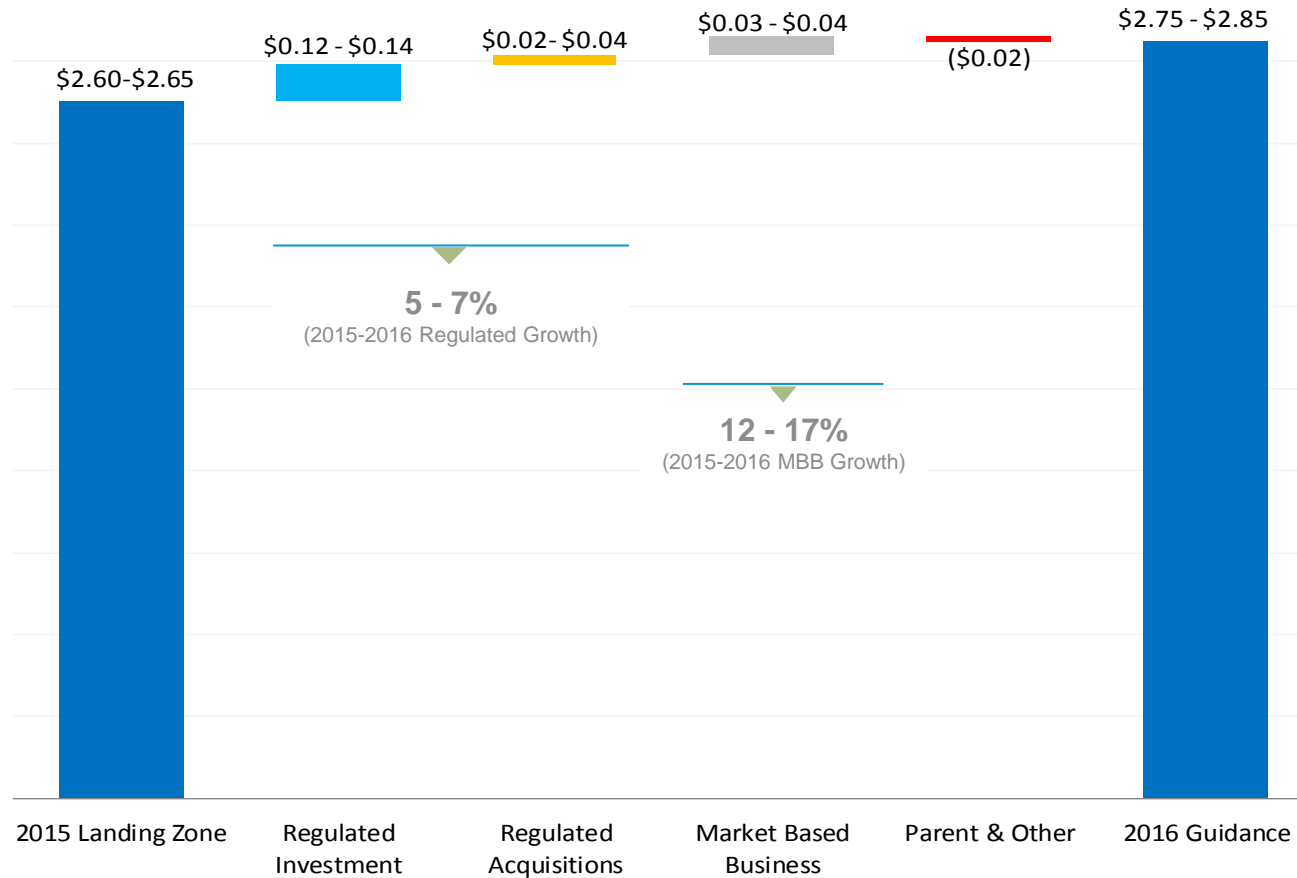


## Long Term Diluted EPS Growth Goal of 7-10%



\*Non-GAAP measure, excludes costs related to the Freedom Industries chemical spill in 2014 (see Appendix for reconciliation).

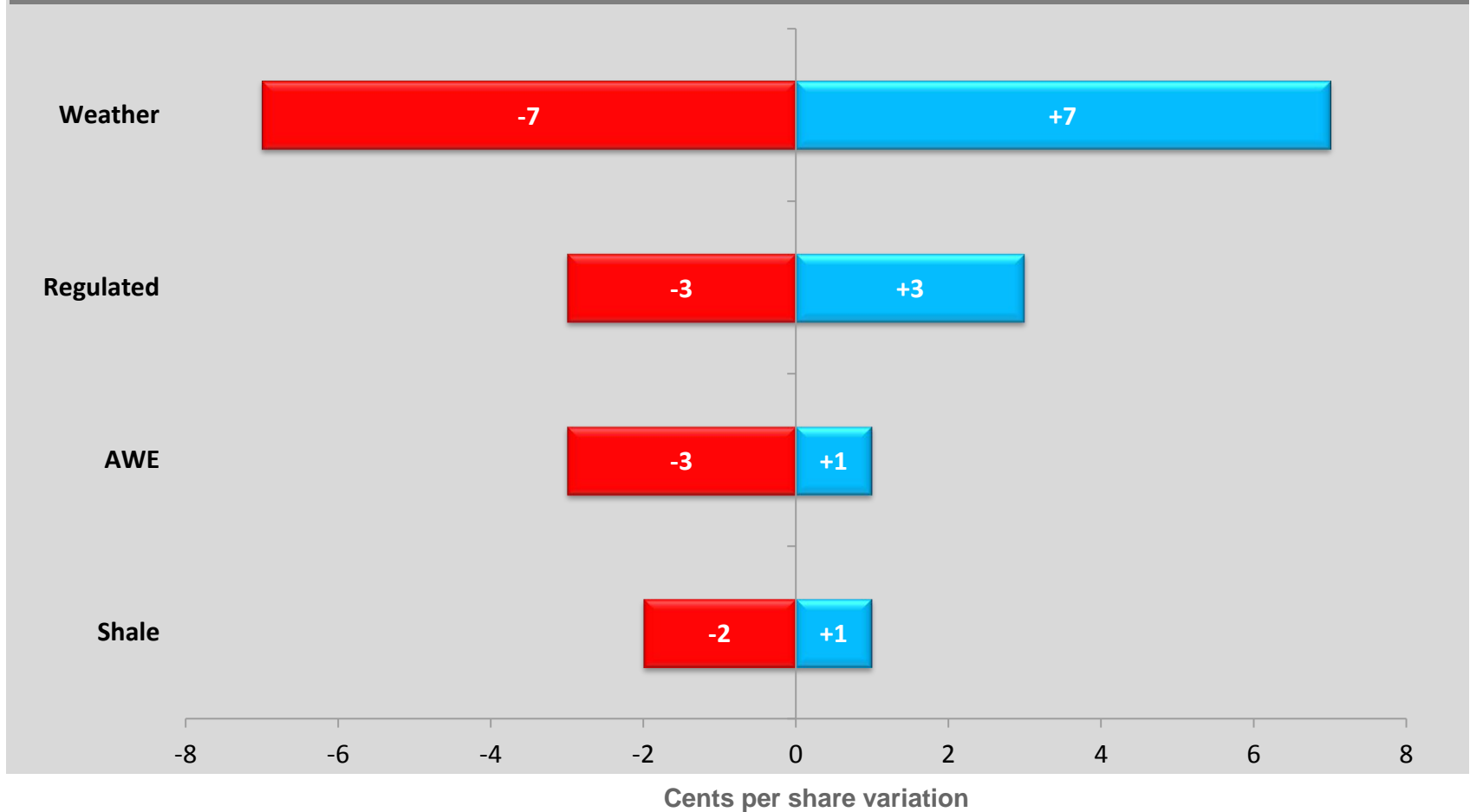
## Reaffirming 2015 Guidance Range, New EPS Guidance for 2016 of \$2.75 - \$2.85\*



\*Diluted EPS from Continuing Operations.

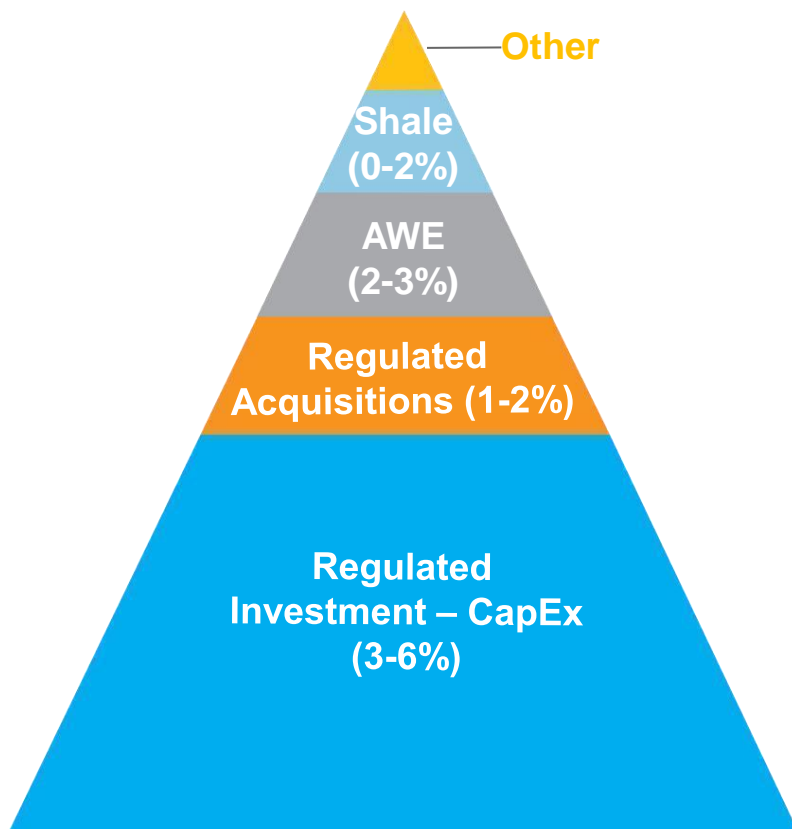
## 2016 Guidance and Major Variables

FY 2016 Initial Guidance: \$2.75 - \$2.85 Includes...



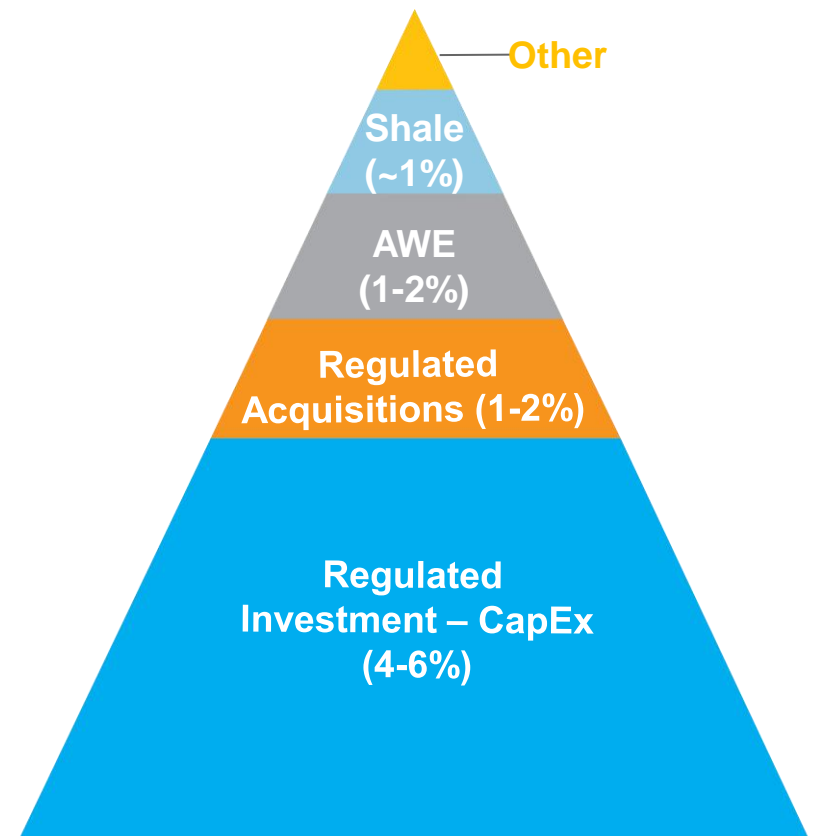
# Continued 7-10% EPS Growth Target: Regulated Business is the Foundation

2015 – 2019 Plan\*



\* 7-10% long-term EPS growth target anchored from FY 2013

2016 – 2020 Plan\*\*

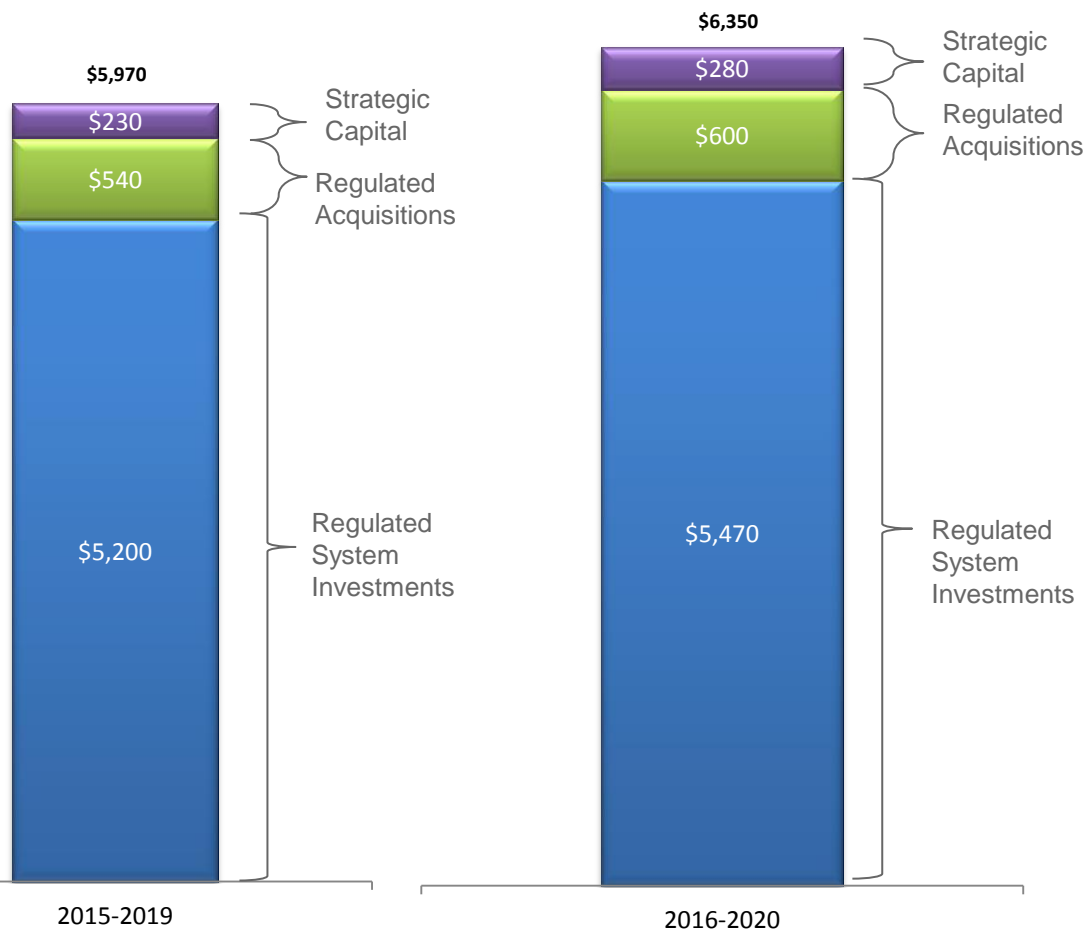


\*\*7-10% long-term EPS growth target anchored from FY 2014



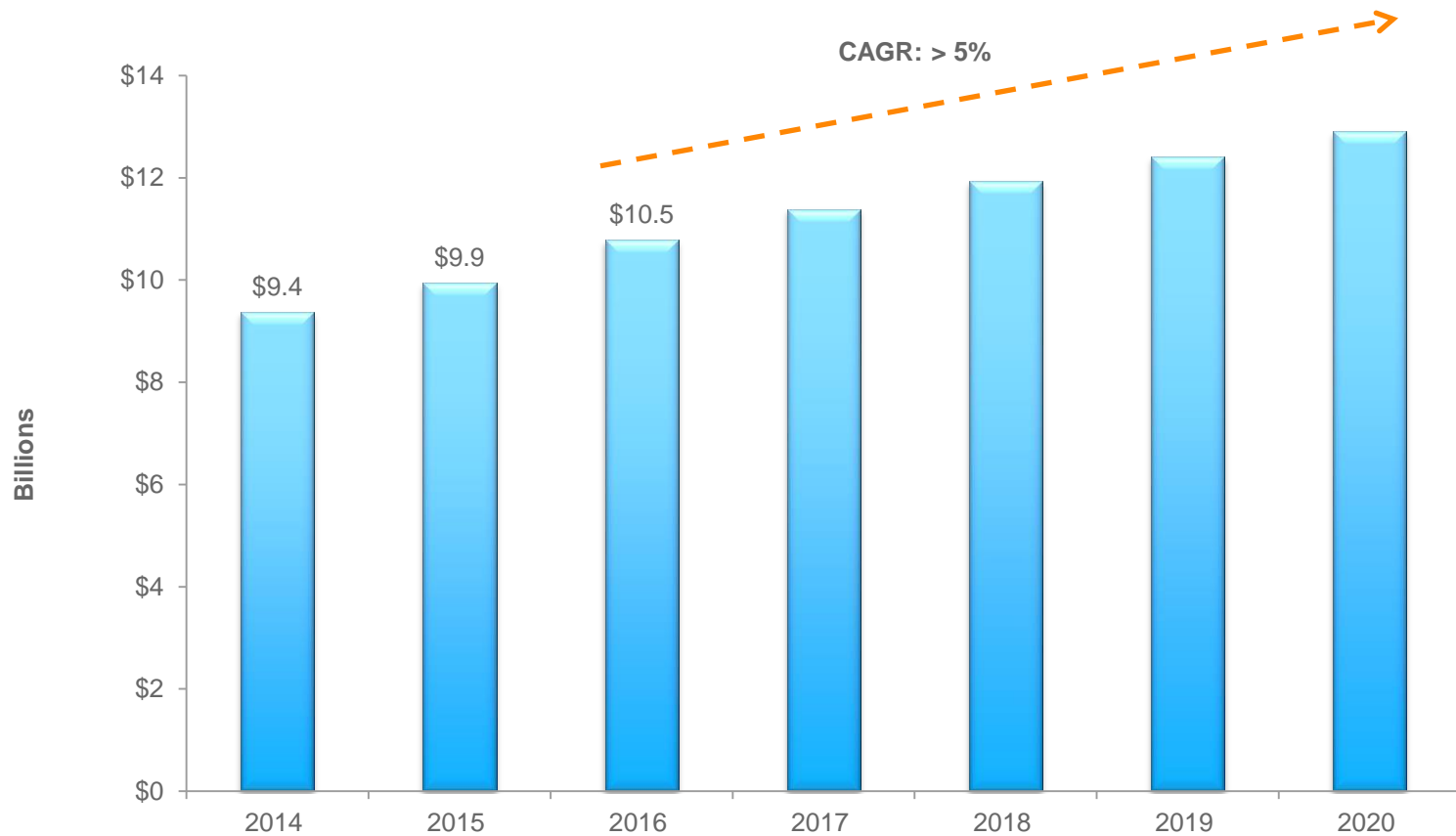
# 2016-2020 Capital Investment Plan: Stable and Predictable

(\$ in millions)

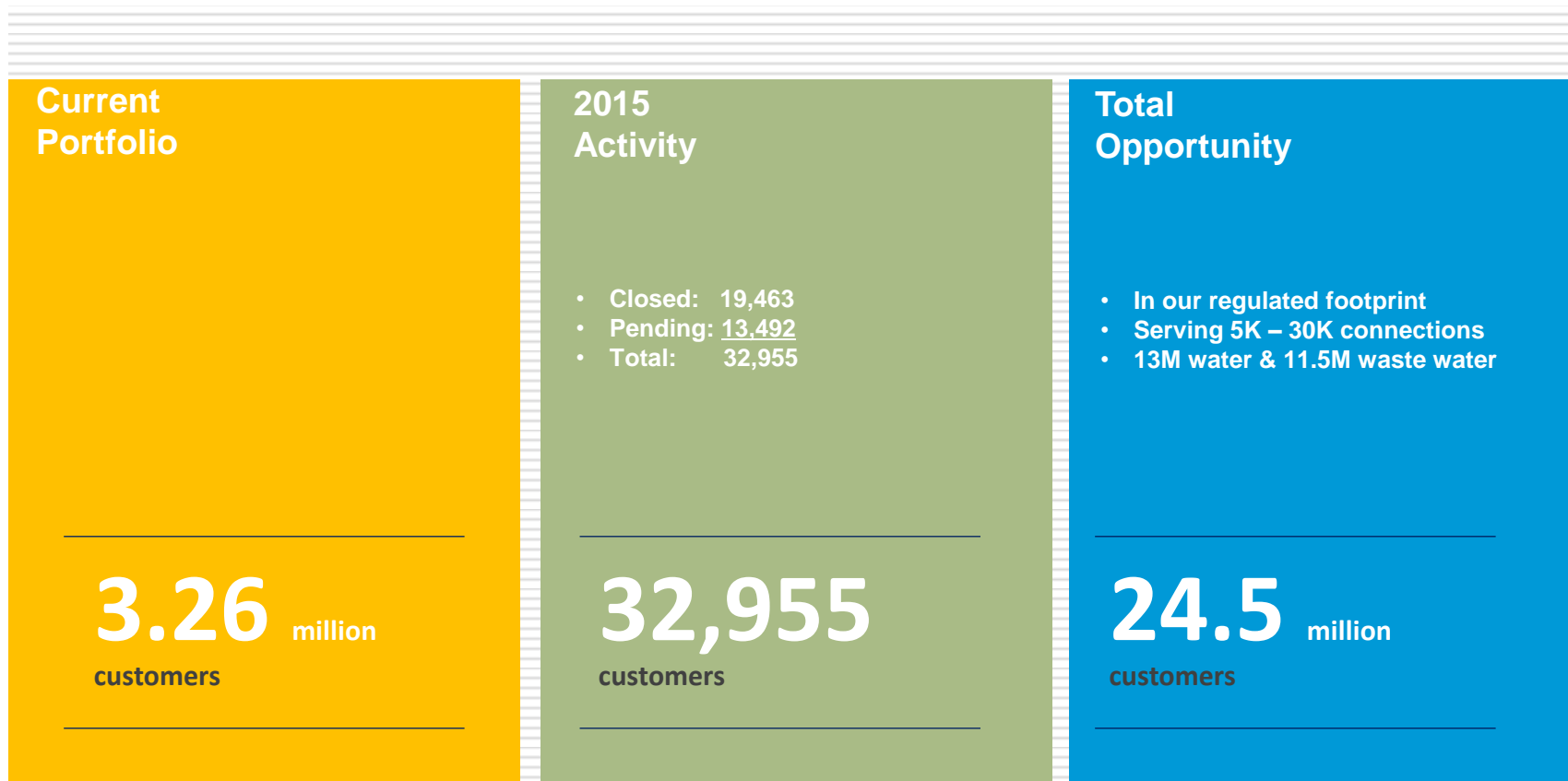


**2016**  
 Capital budget - \$1.3 billion

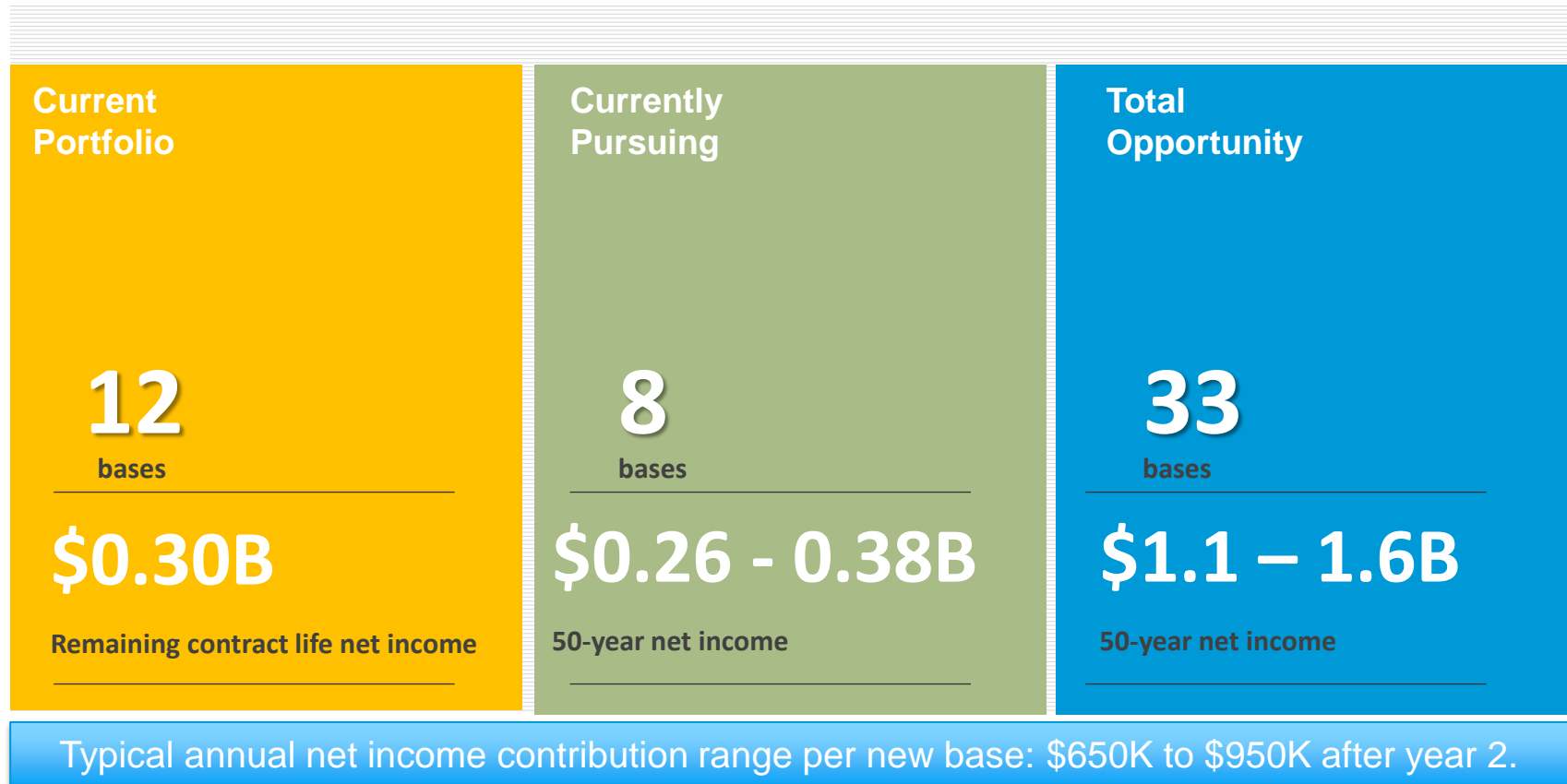
## Rate Base Growth – Consistent, Stable Growth



## Opportunity Set: Regulated Acquisitions



# Opportunity Set: Military Services – Utility Privatization



Represents O&M fees and estimate of infrastructure upgrades.

# Opportunity Set: Homeowner Services

## Current Portfolio

**1.6** million  
contracts

## Projections Through 2020

**0.8 – 1.3** million  
incremental contracts

## Targeted Market Opportunity

- 75 million homes
- 2 contracts per home
- 20% penetration

**30** million  
contracts

## What Does Winning a New HOS Contract Mean to Net Income Growth?

### 1) Penetration Rate

- With Billing: 15%-40%
- Without Billing: 1%-15%

### 2) # Contracts/ Homeowner

- 2 contracts on average

### 3) Net Income per Contract\*

- Average: \$8-\$12 per contract

\* Assumes annualized over 5 year period

## Hypothetical Net Income Contribution Calculation

"American Water Resources received notice of intent by the City X Utilities Commission to be awarded an exclusive home warranty protection agreement for 200,000 homeowners."

$$200,000 \times 15\% \times 2 \times \$8-\$12 = \$480,000-\$720,000$$



#  
1



#  
2



#  
3

## Opportunity Set: Keystone

### Current Portfolio\*



- Frac/Water Transfer
- Construction
- Water Sales
- Transportation / Tank Rental

**\$70** million  
annual revenue

**EPS Neutral in 2015**

### Active Development

**\$25-30** million  
potential incremental annual revenue

**EPS Accretive in 2016**

### Total Estimated Opportunity

**\$250-300** million  
annual revenue

**Market penetration opportunity ranges from 35-50%**

**Approximate 1% 5-year EPS CAGR**

\* Estimate based on actual results through September 30, 2015 and fourth quarter 2015 estimates.

# Keystone – Building a More Predictable Business Model

## Current Model -Total Water Management Solution

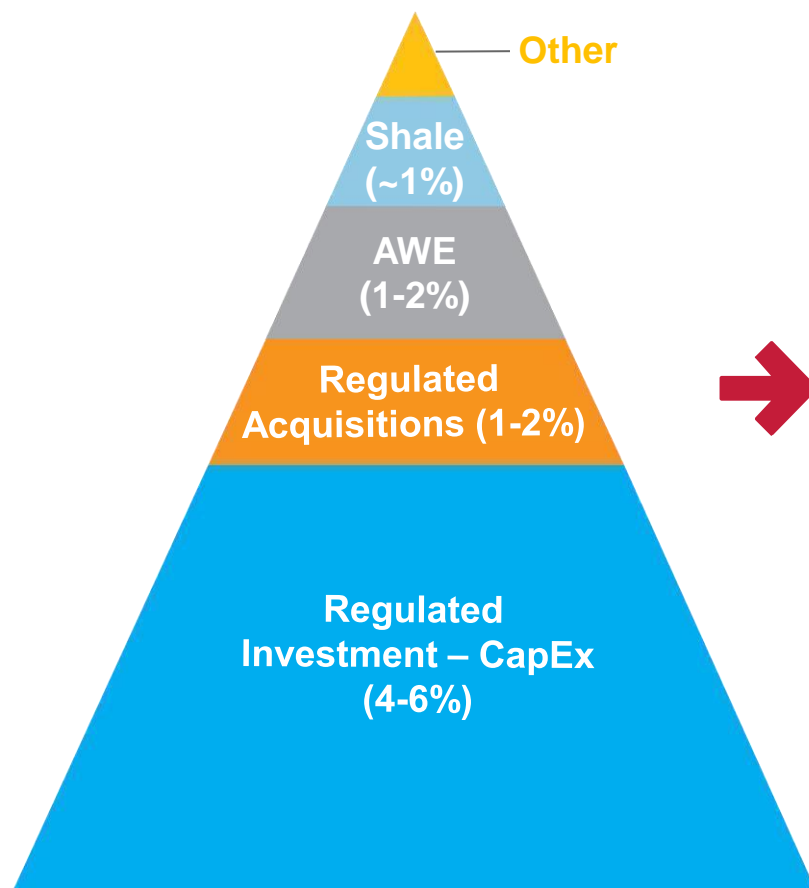
- Mostly short-term contracts (under two years)
- Variable prices and costs
- Asset light

## Pursuing a Design, Build, Own and Operate Model

- Mix of operating revenues and capital projects
- Long-term contracts (five years or more)
- Adding water pipelines
  - One or more customers support one pipeline
- Rent/lease agreements that function similar to take-or-pay
  - More sustainable, steady EBITDA



## Financial Overview Continued....

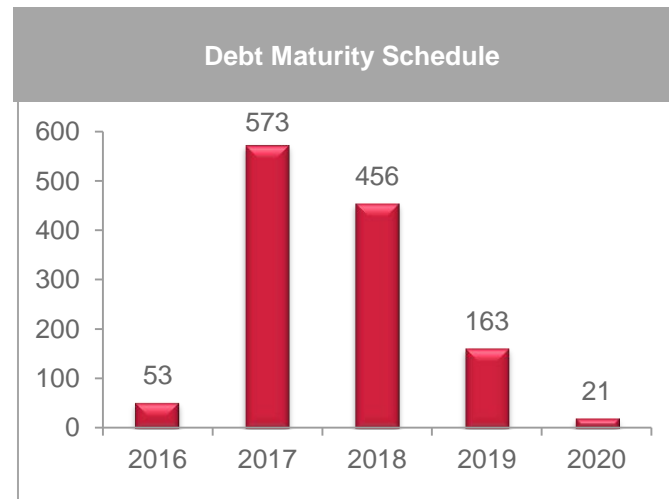
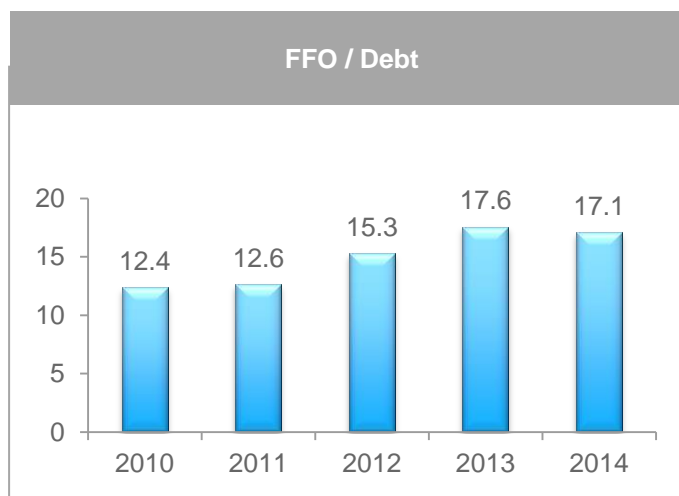
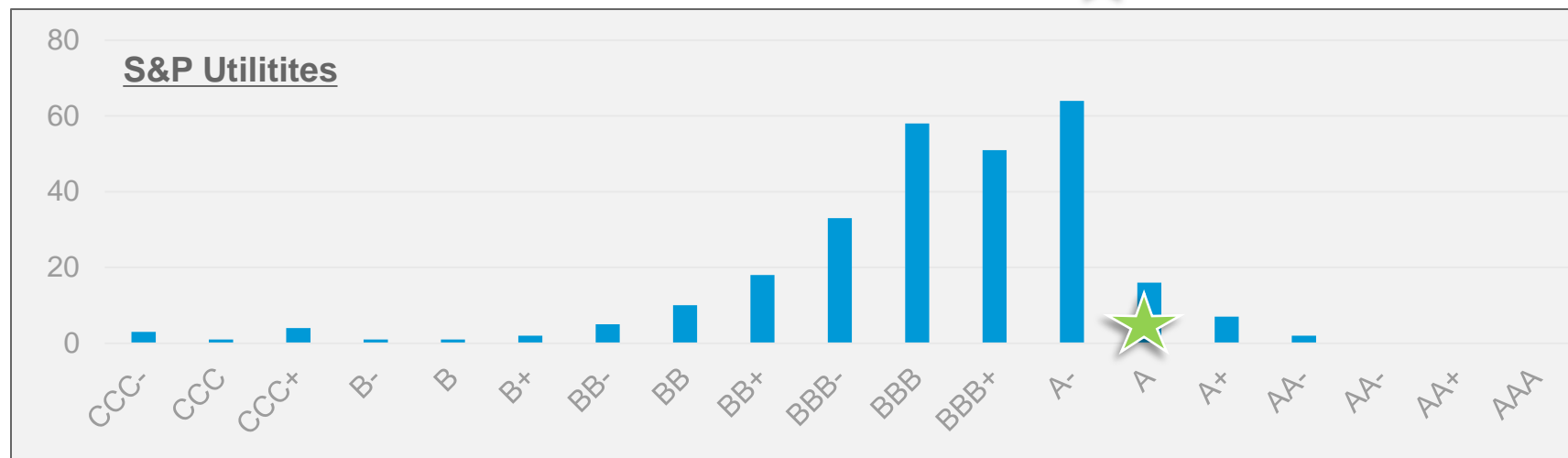


- ✓ Excellent credit quality
- ✓ Strong balance sheet
- ✓ History of consistent dividend growth
- ✓ Superior total shareholder returns

# Excellent Credit Quality

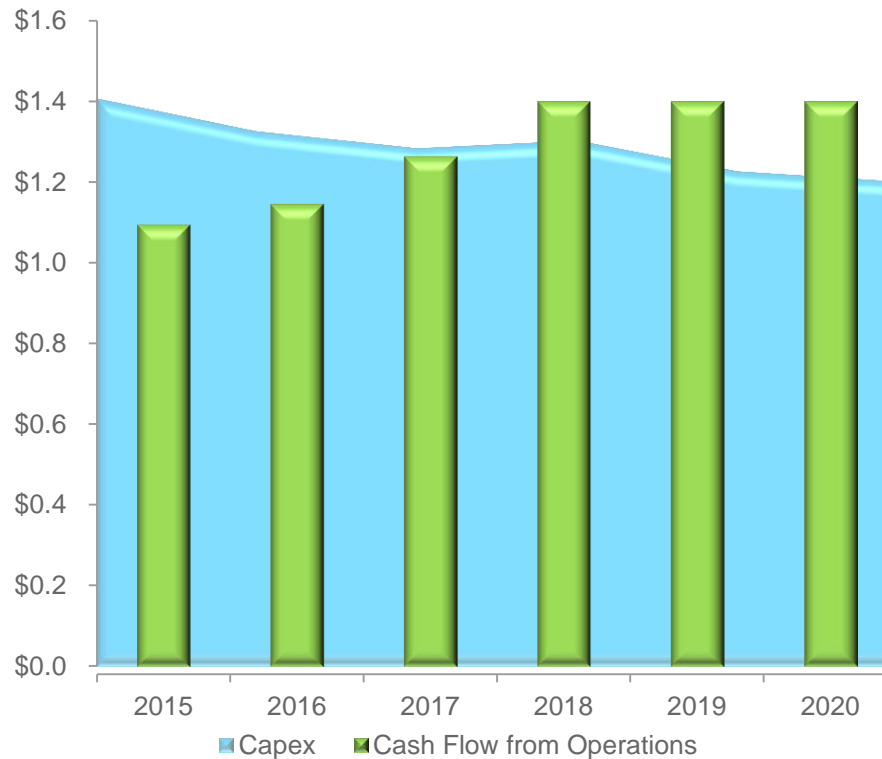


AWK Rating

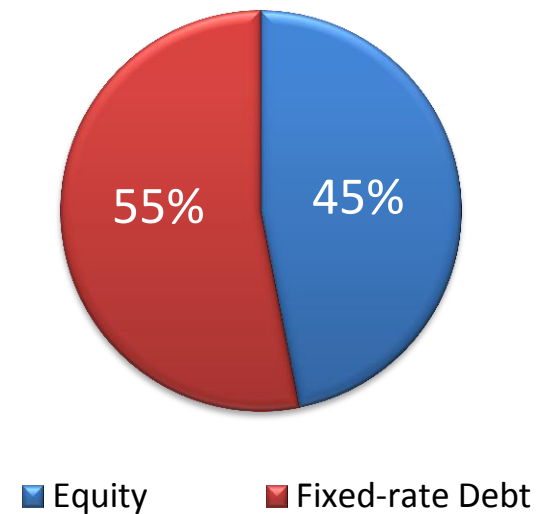


# Strong Balance Sheet

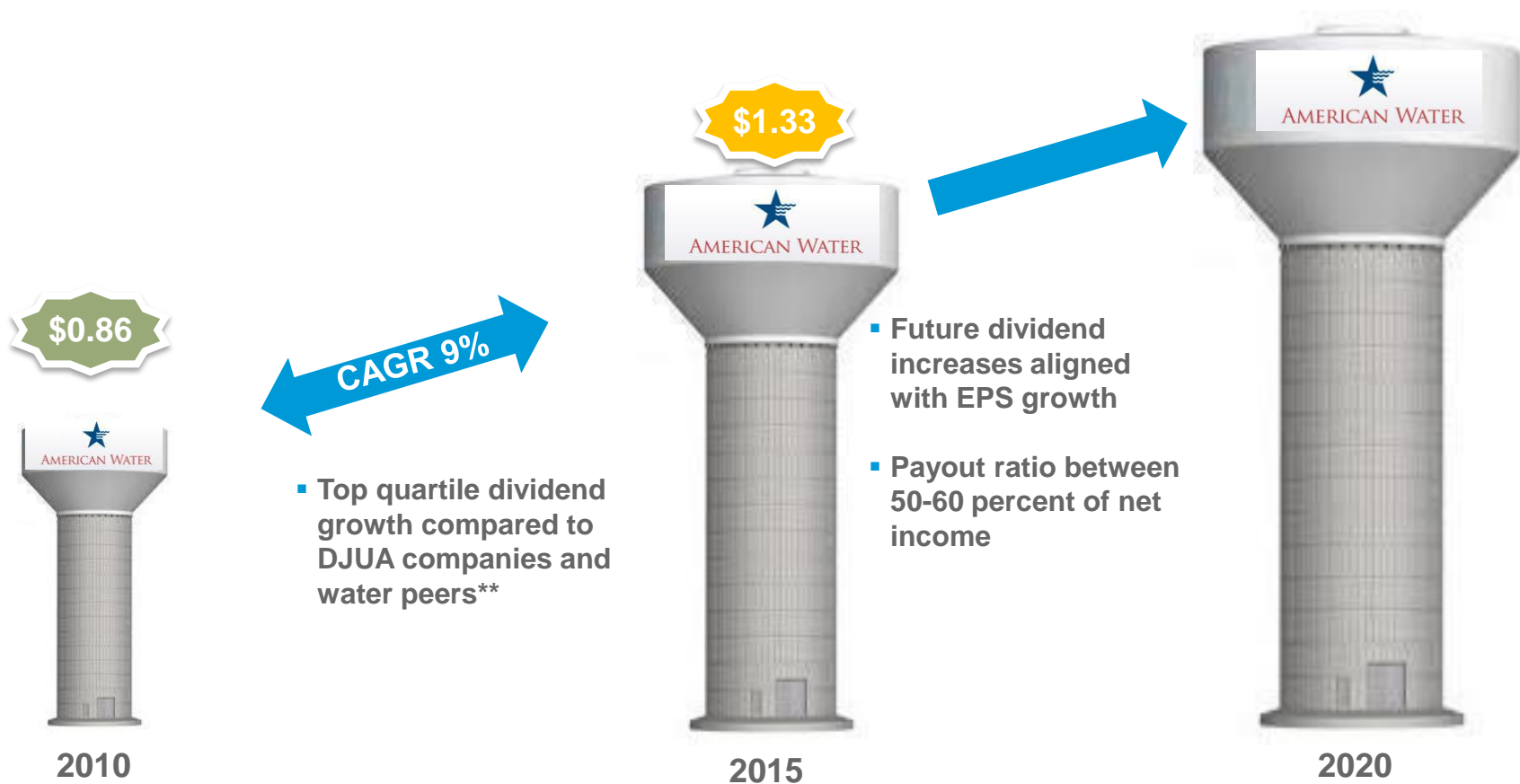
Strong Cash Flow from Operations



2015 Capital Structure



# History of Consistent Dividend Growth



Source: Factset: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.  
 Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW

## Superior Total Shareholder Returns

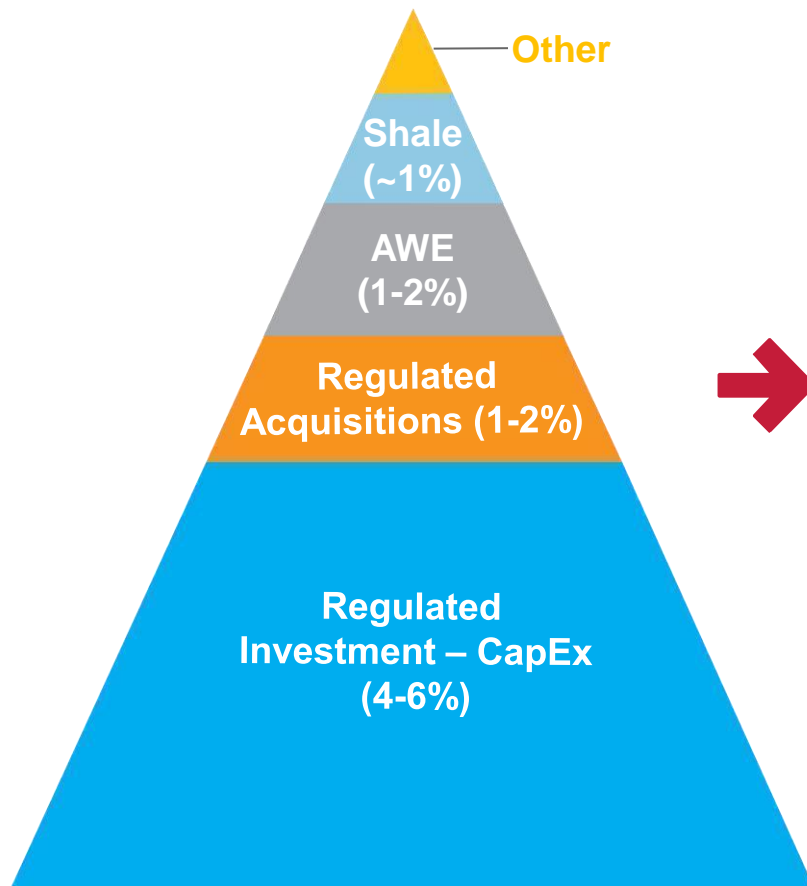
Ticker	LT Growth (Expected)	Dividend Yield	Total Return (Expected)
AWK	8.5%*	2.5%	11.0%
DJUA	4.2%	4.2%	8.4%
Water Peers	5.8%	2.9%	8.7%

Double digit returns, with a 5-year average beta of 0.8

Source : Factset, Data as of December 7, 2015

\* Mid Point of 7-10% Long term earnings growth guidance

# Financial Overview | Going Forward.....



## Targets:

- ✓ Grow EPS long term at 7-10%...  
*... Regulated investments will be the foundation*
- ✓ Increase dividends in line with earnings...  
*... Payout ratio between 50-60% of earnings*
- ✓ Maintain our conservative risk profile...  
*... Market based businesses not more than 15-20% of earnings*
- ✓ Deliver leading total shareholder returns  
*... Combined EPS and dividend growth*

# Susan Story

President and Chief Executive Officer



## In Summary

# Why American Water?

**AWK**

## Growth

- EPS growth 7-10%, over next 5 years\*
- Multi-decade investment needs
- Fragmented market

- ✓ Top quartile
- ✓ Clear line of sight
- ✓ Water & wastewater

## People & Business Model

- Strong local presence and national scale
- Regulatory expertise
- Strong record of execution
- Broad and diversified experience
- Strong bench strength

- ✓ Personalized economies of scale
- ✓ Seasoned state leaders
- ✓ 2010-2015 EPS CAGR of 12.4%
- ✓ Multi-utility backgrounds
- ✓ Robust succession planning

## Risk Profile

- Smooth regulated capital deployment
- Absence of federal economic regulation
- Geographic diversity
- Market-based complementary businesses

- ✓ Flexible and sustainable
- ✓ Unlike electrics and gas
- ✓ Most diverse utility
- ✓ Regulated-like

## Financial Strength

- Dividend growth
- Strong credit ratings/access to capital
- Greater than \$10 billion market cap
- Strong cash flows

- ✓ Top quartile
- ✓ Top quartile
- ✓ Only water utility >\$10B
- ✓ No need to issue equity\*\*

\* Anchored from 2014, adjusted EPS

\*\* Under normal operating conditions

Top-quartile  
Growth

Low Risk

Strong  
Financials

Best  
People

**AWK**



Any company's only sustainable  
competitive advantage is its...  
***PEOPLE***

Any company's only sustainable  
competitive advantage is its...  
***PEOPLE***



Victor Munguia  CALIFORNIA  
AMERICAN WATER

Any company's only sustainable  
competitive advantage is its...  
***PEOPLE***



Herbie Sims



# Summary

**What's new**

**What's the same**



AMERICAN WATER  
**NYSE: AWK**

**2015 Fourth Quarter Earnings Conference Call**  
**February 25, 2016**





**Greg Panagos**  
**Vice President of Investor Relations**

## Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2015 earnings guidance, the outcome of pending acquisition activity, the amount of future capital investments, and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this press release as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission, and because of factors such as: the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and safety, water quality, and public utility regulations and policies; potential costs and liabilities of American Water for environmental and similar matters resulting from, among other things, the provision of water services to customers in the natural gas exploration and production market; the outcome of litigation and government action related to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on, or infiltration of, its computer systems or other critical infrastructure; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully meet growth projections and capitalize on growth opportunities, including its ability to, among other things, acquire and integrate water and wastewater systems into its regulated operations and enter into contracts and other agreements with, or otherwise acquire, new customers in its Market-based Businesses, including with respect to the provision of water services to customers in the natural gas exploration and production market; cost overruns relating to improvements in or the expansion of its operations; our ability to maintain safe work sites; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms and when and as needed to support operations and capital expenditures; fluctuations in interest rates; restrictive covenants in or changes to the credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase its financing costs and funding requirements; changes in Federal or state income tax laws, including tax reform, the availability of tax credits and tax abatement programs, and the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories; the use by municipalities of the power of eminent domain or other authority to condemn its systems; difficulty in obtaining, or the inability to obtain, insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; and civil disturbances, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in the company's earnings release and Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date this presentation is first given. The company does not have any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

## Today's Speakers:



**Susan Story**  
**President and**  
**Chief Executive**  
**Officer**



**Walter Lynch**  
**Chief Operating**  
**Officer**



**Linda Sullivan**  
**Executive Vice**  
**President and Chief**  
**Financial Officer**



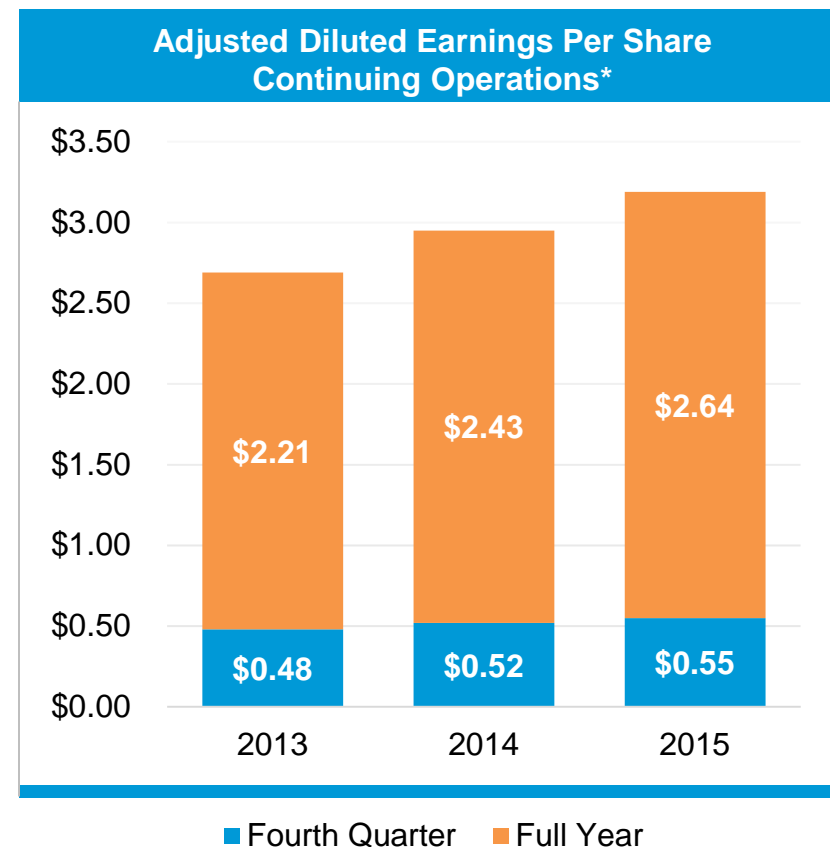
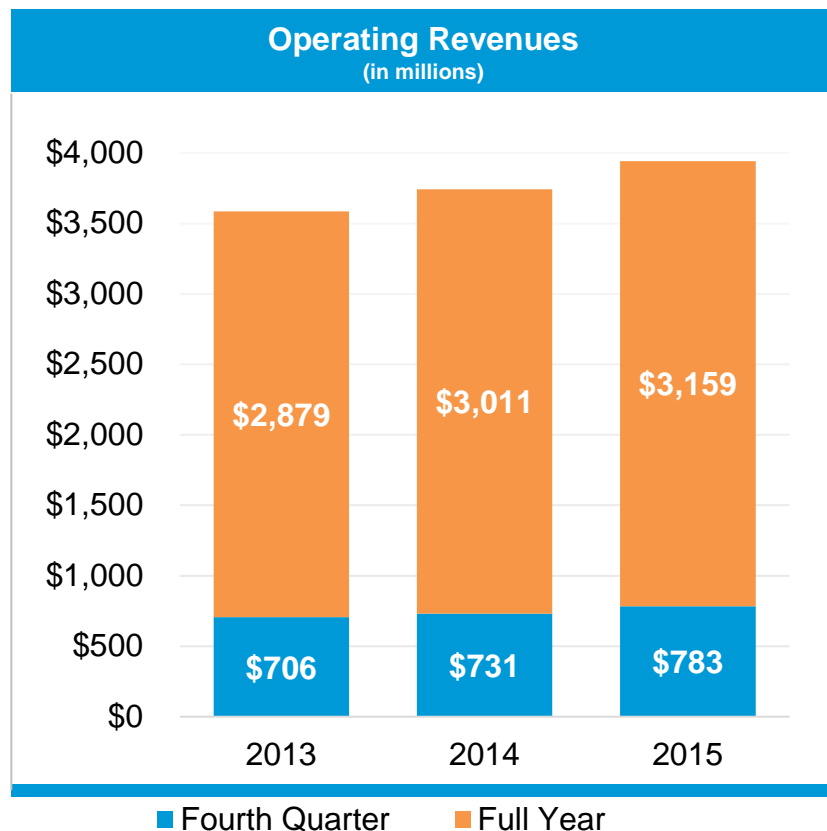


**Susan Story**  
**President and Chief Executive Officer**

## 2015 Full Year and Fourth Quarter Results

- ✓ Continued execution on strategies
- ✓ Strong EPS growth
- ✓ Both Regulated and Market-based delivered results
- ✓ Highest ever Capex investment of \$1.4B; \$1.2B in regulated operations

# American Water: Strong Full Year Results

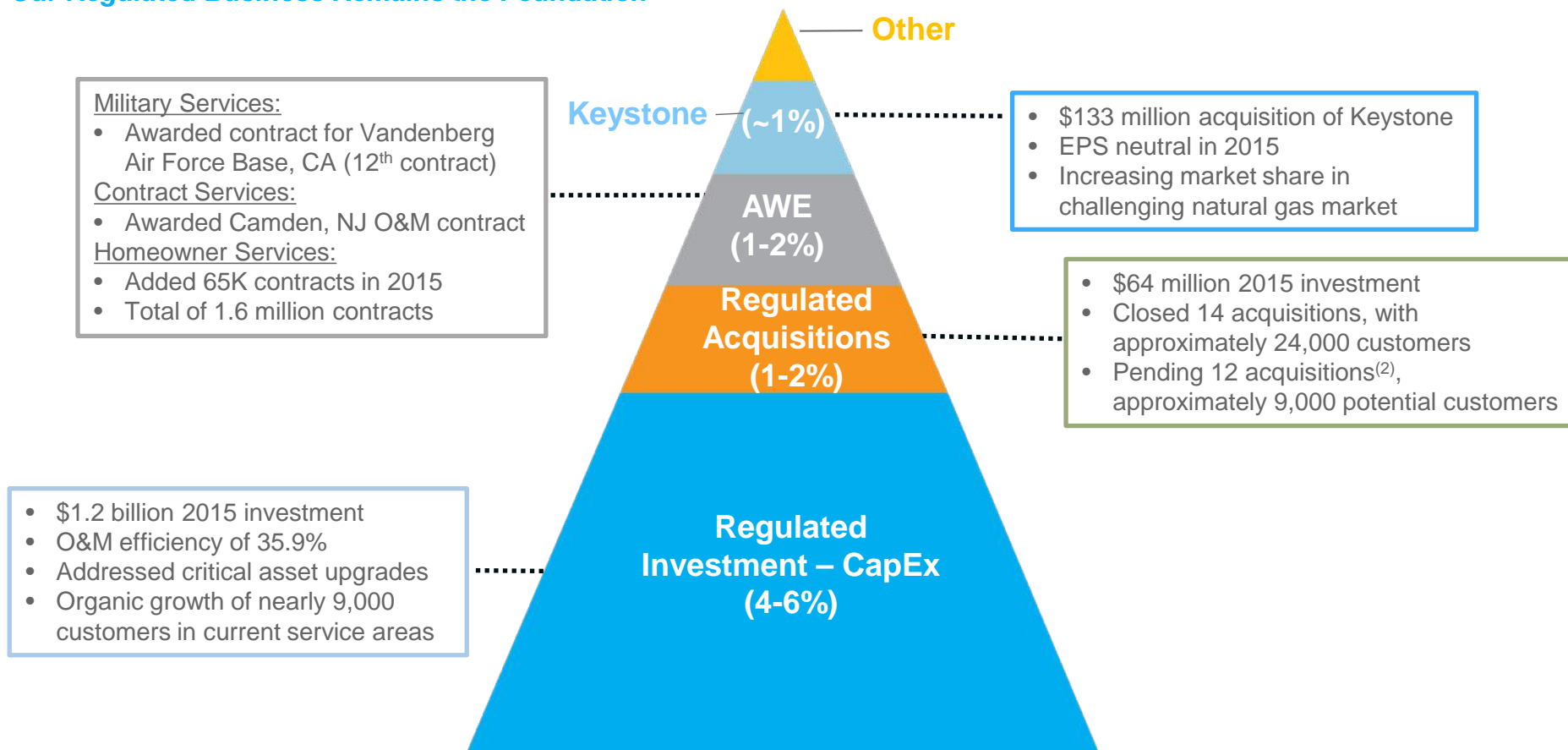


**Note:**

- Adjusted Diluted Earnings Per Share is a non-GAAP measure. See Appendix for reconciliation.

# EPS Growth Target of 7-10% from 2016 – 2020 on Track<sup>(1)</sup>

*Our Regulated Business Remains the Foundation*



**Affirm 2016 EPS guidance of \$2.75 to \$2.85**

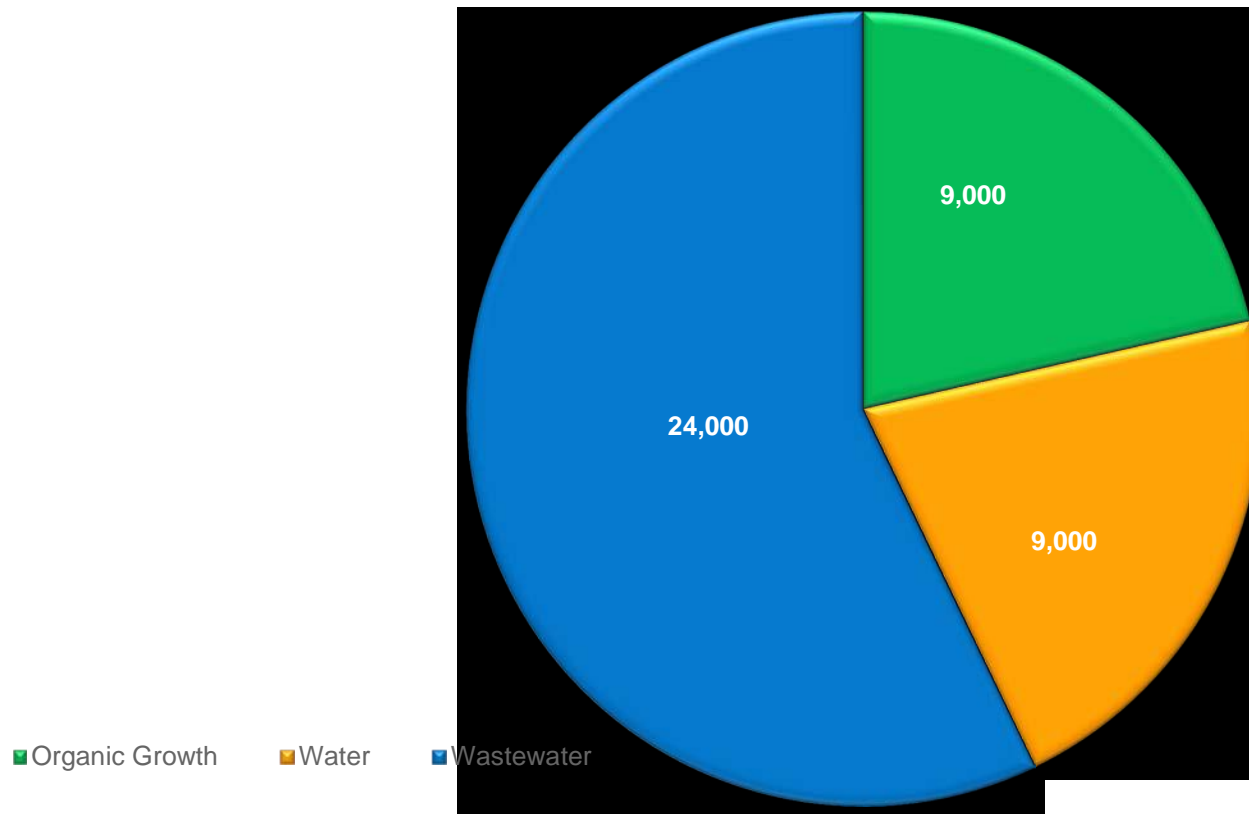
(1) 2016 – 2020 EPS growth goal of 7-10% anchored from FY 2014.

(2) These have signed agreements in place, pending regulatory approval. Does not include Scranton, PA, which is currently under an MOU to negotiate an agreement.



**Walter Lynch**  
**Chief Operating Officer**

## 2015 - Adding Customers Through Acquisitions and Organic Growth<sup>(1)</sup>



Of 3.3 million customers, 3.1 million are water

(1) 2015 acquisitions are based on transactions closed, as well as signed agreements that are pending regulatory action in 2015 and 2016. Does not include Scranton, PA, which is currently under an MOU to negotiate an agreement.

# Regulated Businesses Update



## Illinois American Water rate case filing:

- \$40 million revenues requested
- Primarily driven by more than \$342 million investment (2013-2017)
- 3% reduction in operating costs since 2012



## Kentucky American Water rate case filing:

- \$13.5 million revenues requested
- Primarily driven by \$79 million of investment since 2012
- Flat operating expenses since 2012



## West Virginia American Water Rate Case

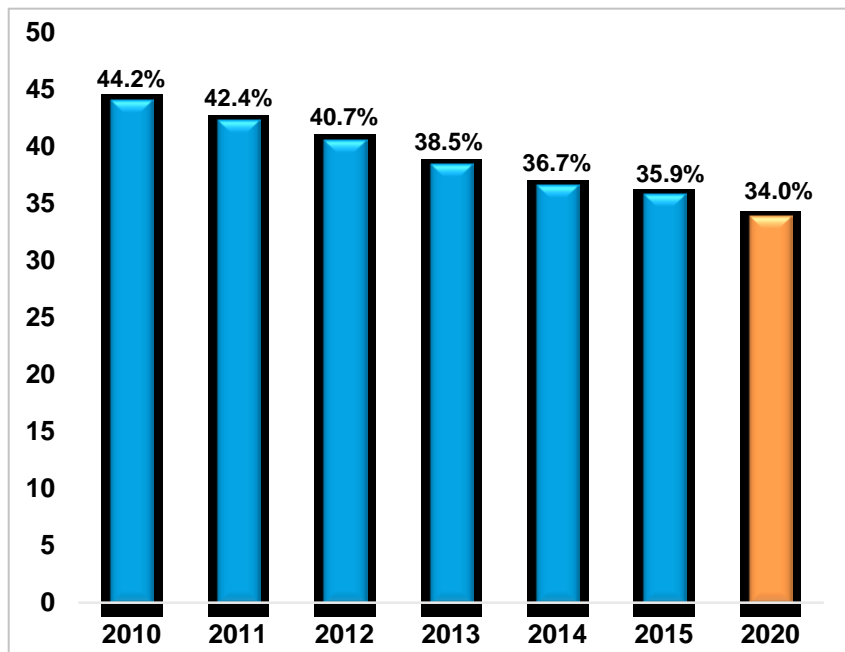
- Pending Rate Order



- Cost of capital extended through 2017, authorized ROE of 9.99 percent
- Continued progress on meeting conservation mandates
- Desalination Project Update: Operating test slant well; filed testimony supporting groundwater reuse project; hired pipeline contractors

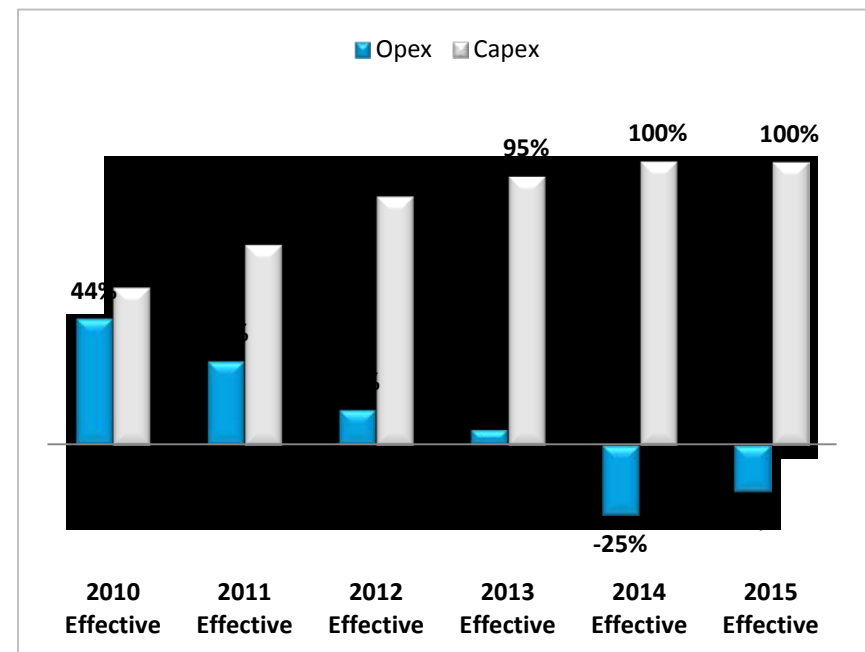
# On Track to Obtain 34% O&M Efficiency Target by 2020

O&M Efficiency Ratio



Note:  
O&M Efficiency Ratio - Non GAAP Measure – See appendix for reconciliation.

Incremental Revenue Requirement\*  
-Increases Attributable to Opex vs. Capex-



Note:

\*Approximation in states where we received black box award.

(1) For general rate cases effective in 2014, the incremental revenue requirement was reduced by 25% due to lower operating expenditures.

(2) For general rate cases effective in 2015, the incremental revenue requirement was reduced by 17% due to lower operating expenditures.





**Linda Sullivan**  
**Executive Vice President**  
**and Chief Financial Officer**

## EPS Contribution by Business<sup>(1)</sup>

4th Quarter EPS Contribution by Business			
	<u>2014</u>	<u>2015</u>	<u>Change</u>
Regulated Businesses.....	\$0.53	\$0.54	\$0.01
Market-based Businesses.....	\$0.06	\$0.06	--
Parent <sup>(3)</sup> .....	<u>(\$0.07)</u>	<u>(\$0.05)</u>	<u>\$0.02</u>
Total EPS	\$0.52	\$0.55	\$0.03

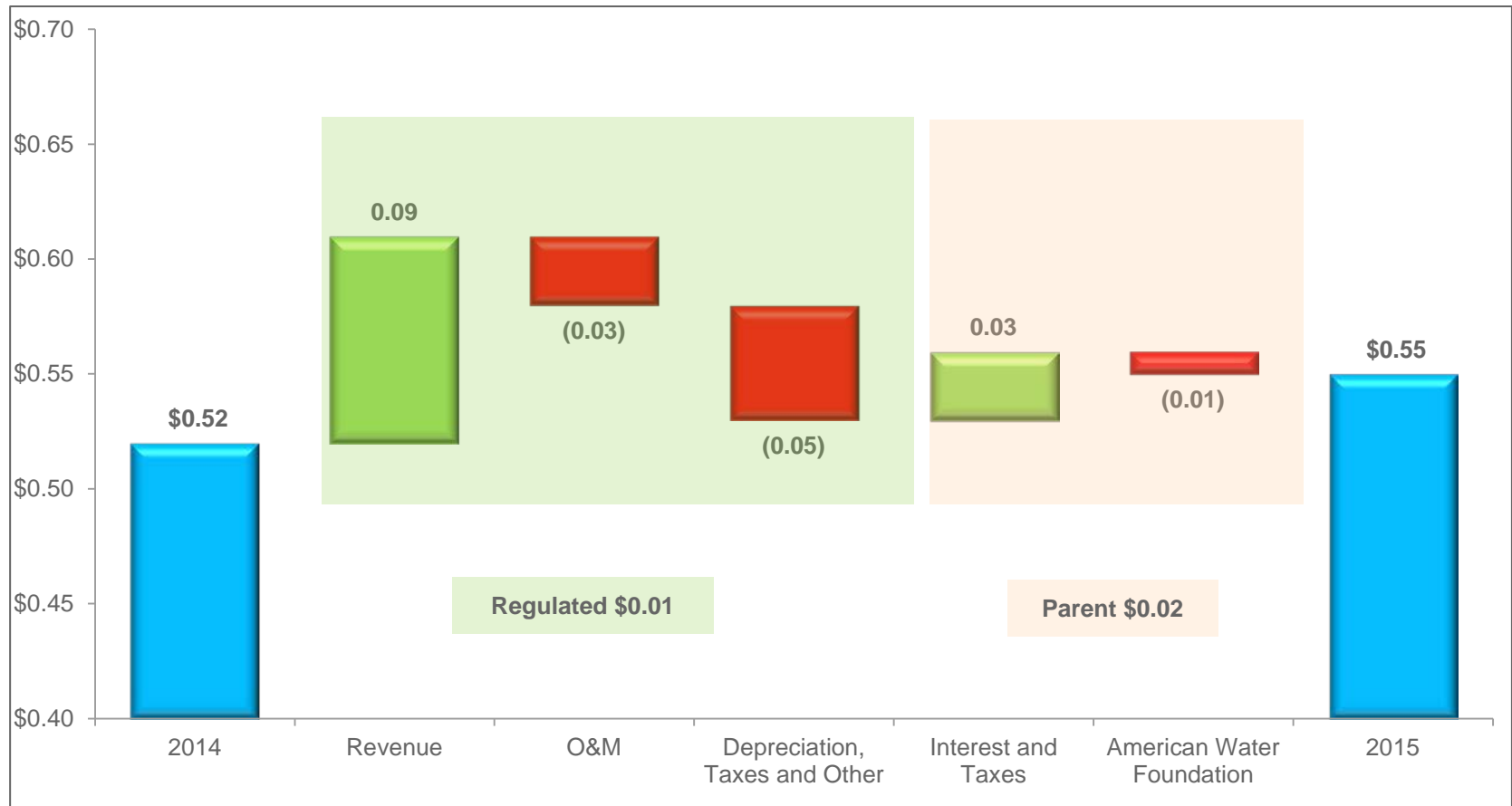
12 Month Adjusted EPS Contribution by Business <sup>(2)</sup>			
	<u>2014</u>	<u>2015</u>	<u>Change</u>
Regulated Businesses.....	\$2.45	\$2.63	\$0.18
Market-based Businesses.....	\$0.22	\$0.24	\$0.02
Parent <sup>(3)</sup> .....	<u>(\$0.24)</u>	<u>(\$0.23)</u>	<u>\$0.01</u>
Total Adjusted EPS	\$2.43	\$2.64	\$0.21

(1) EPS contribution amounts rounded for presentation purposes.

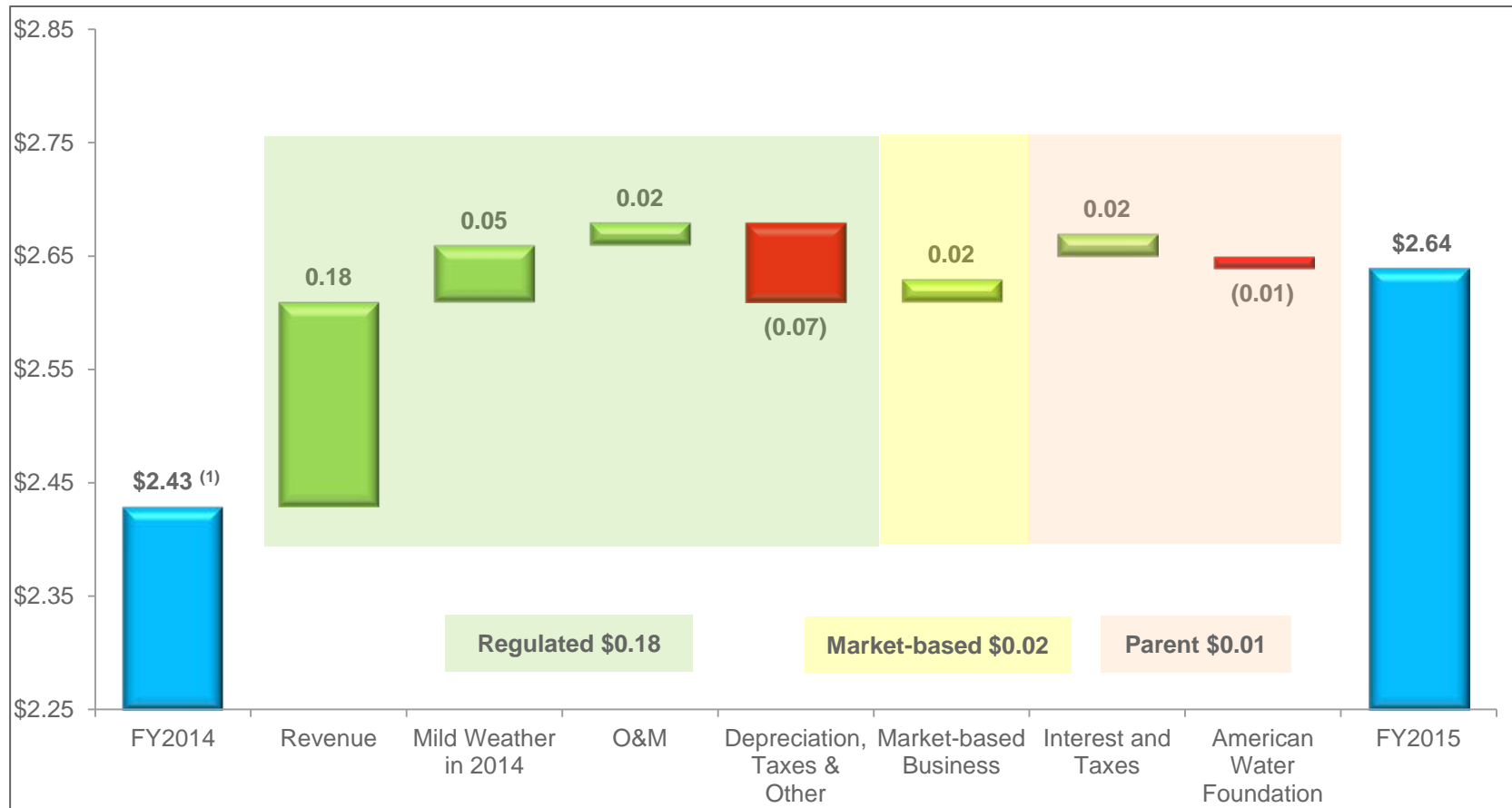
(2) Adjusted Diluted Earnings Per Share is a non-GAAP measure. See Appendix for reconciliation.

(3) Includes parent interest and other.

## Financial Results – 4Q EPS from Continuing Operations Bridge



## Financial Results – FY EPS from Continuing Operations Bridge



(1) Adjusted Diluted Earnings Per Share is a non-GAAP measure. See Appendix for reconciliation.

# Regulatory Filings Focused On Infrastructure Investments

## Rate Cases Awaiting Final Order

### A. Rate Cases Filed

Company	Docket / Case Number	Date Filed	Revenue Increase		ROE Requested	Rate Base
West Virginia	Cases 15-0676-W-42T & 15-0675-S-42T	4/30/2015	\$35.6	(a)	10.75%	\$540.0
Missouri	Case No. WR-2015-0301 & SR-2015-0302	7/31/2015	25.2	(b)	10.70%	1,082.6
Virginia	Case No. 2015-00097	10/30/2015	8.7		10.75%	162.2
Illinois	Docket No 16-0xxx	1/21/2016	40.0		10.75%	899.3
Kentucky	Case No. 2015-00418	1/29/2016	13.5		10.75%	403.9
			<b>\$123.0</b>			<b>\$3,088.0</b>

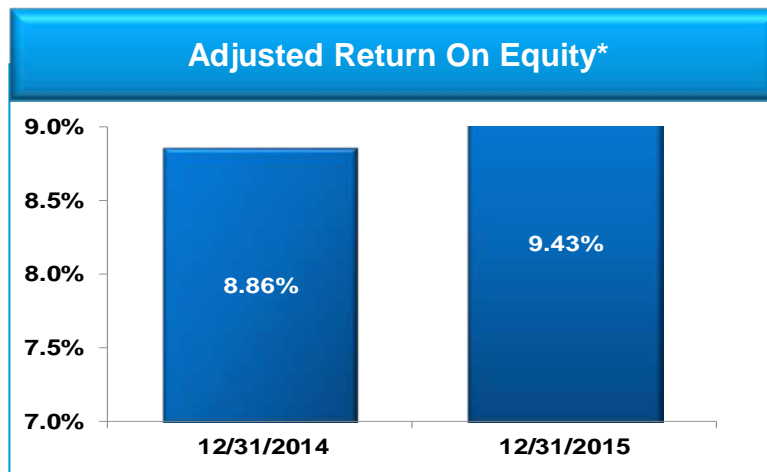
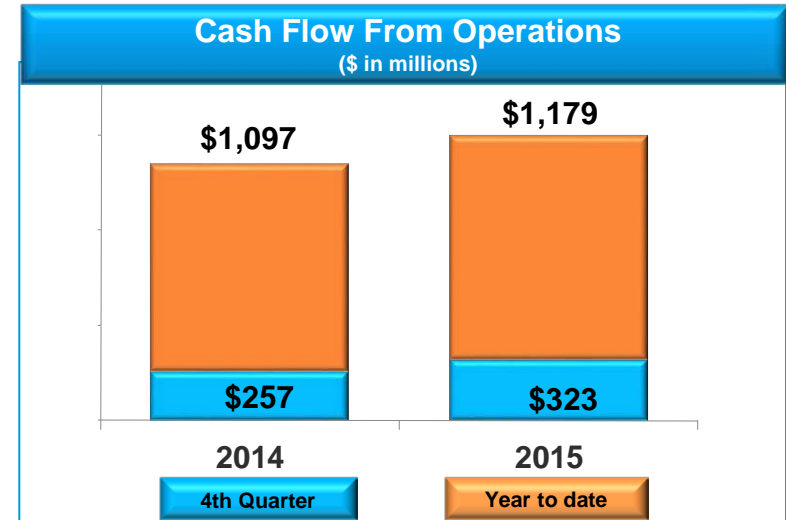
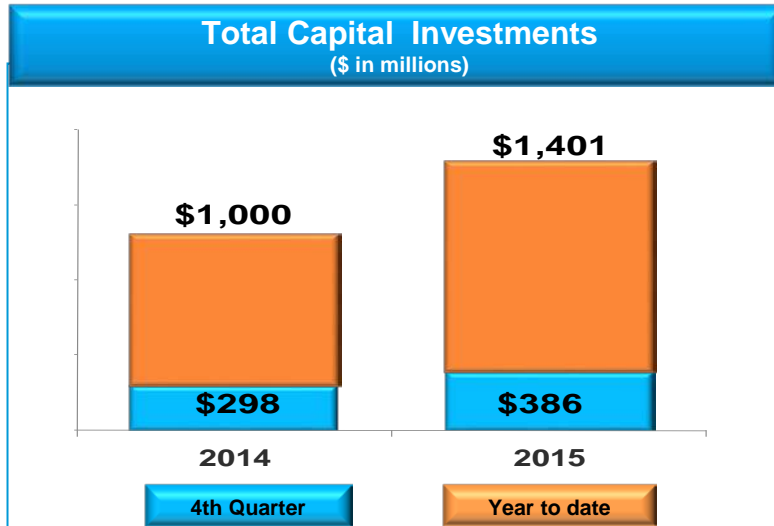
### B. Infrastructure Charges Filed

Tennessee (QIIP, EDI & SEC)	Docket No. 15-00111	11/12/2015	\$2.1			\$17.3
IN (DSIC)	Case No. 42351 DSIC-9	1/14/2016	3.0			25.7
NY (SIC)	Case 14-W-0489	1/15/2016	0.3			2.8
			<b>\$5.4</b>			<b>\$45.8</b>

## Rates Effective since January 1, 2015

	Date Effective	Revenue Increase	Comments
<b>C. Infrastructure Charges</b>			
New Jersey (DSIC)	1/1/2015	9.4	
Illinois (QIP)	1/1/2015	4.9	
Illinois (QIP)	2/1/2015	1.0	
Pennsylvania (DSIC - W & WW)	4/1/2015	1.6	
New York (SIC)	6/1/2015	0.1	
Missouri (ISRS)	6/27/2015	1.9	
Tennessee (QIIP, EDI & SEC)	6/30/2015	2.2	
Pennsylvania (DSIC - W & WW)	7/1/2015	4.6	
Pennsylvania (DSIC - W & WW)	10/1/2015	7.8	
New York (SIC)	12/1/2015	0.7	
	Subtotal Effective 2015:	<b>\$34.2</b>	
Pennsylvania (DSIC - W & WW)	1/1/2016	10.5	
Illinois (QIP)	1/1/2016	1.0	
	Total Effective 2015 and 2016:	<b>\$45.7</b>	
<b>D. Rate Cases</b>			
Indiana	1/29/2015	\$5.1	
California	1/1/2015	5.2	(c)
Maryland	6/19/2015	0.5	
Kentucky WW	7/2/2015	0.2	(d)
New Jersey	9/21/2015	22.0	
	Subtotal Effective 2015:	<b>\$33.0</b>	
Indiana	1/29/2016	1.6	
	Total Effective 2015 and 2016:	<b>\$34.6</b>	
	Additional Annualized Revenues from Infrastructure Charges and Rate Cases:	<b>\$80.3</b>	

# Improved Financial Performance Across the Board



~10%  
increase in  
quarterly  
dividends\*\*

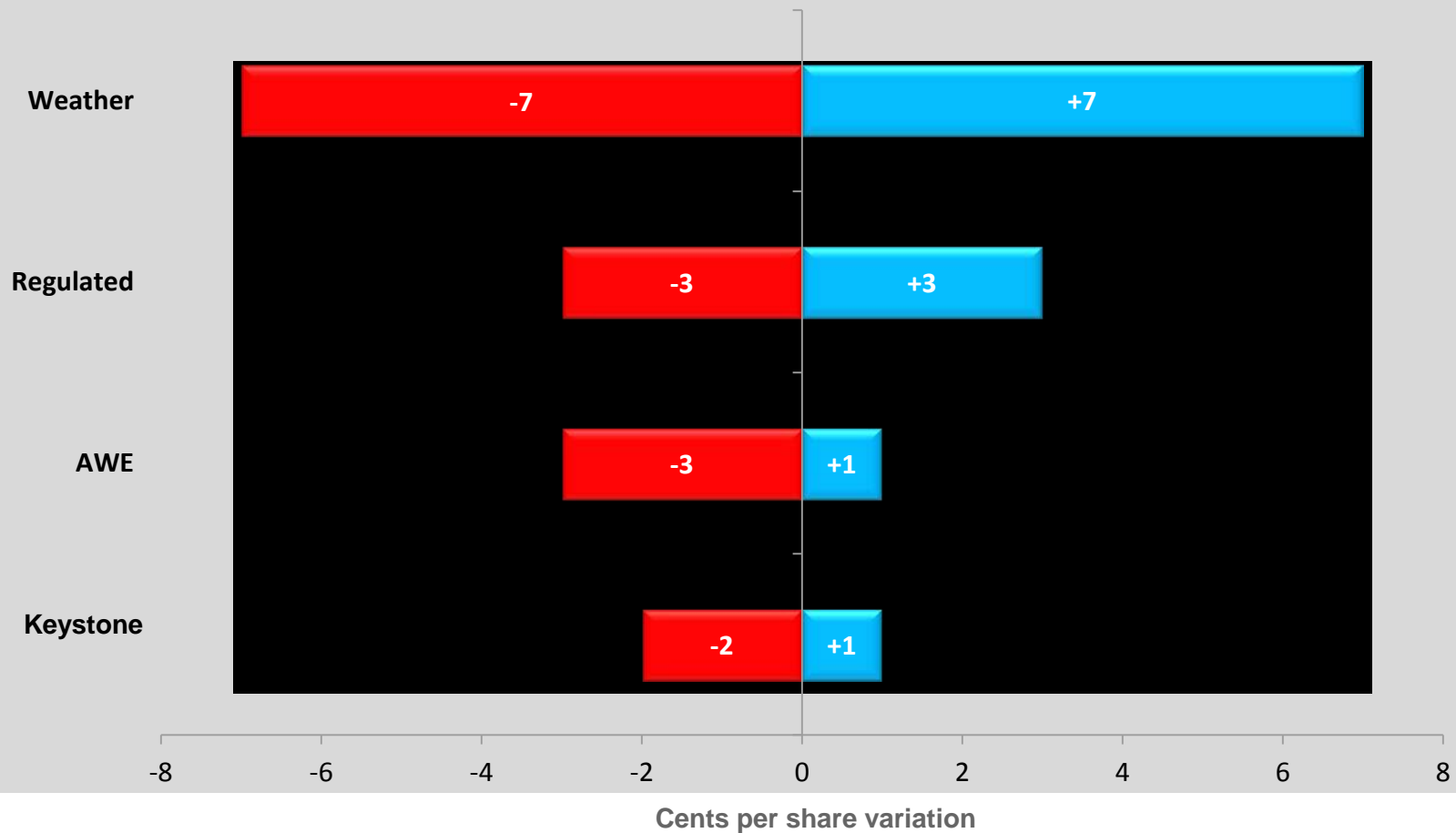
- Announced \$0.34 quarterly cash dividend per common share payable on Mar 1, 2016

\*Adjusted Return on Equity - Non-GAAP measure. See appendix for reconciliation.

\*\*Quarterly dividend payment increased from \$0.31 to \$0.34 in May 2015

## Affirming 2016 Earnings Guidance: \$2.75 - \$2.85

### 2016 Guidance: Major Variables





**Susan Story**  
**President and Chief Executive Officer**



# Why American Water?

**AWK**

## Growth

- EPS growth 7-10%, over next 5 years\*
- Multi-decade investment needs
- Fragmented market

- ✓ Top quartile
- ✓ Clear line of sight
- ✓ Water & wastewater

## People & Business Model

- Strong local presence and national scale
- Regulatory expertise
- Strong record of execution
- Broad and diversified experience
- Strong bench strength

- ✓ Personalized economies of scale
- ✓ Seasoned state leaders
- ✓ 2010-2015 EPS CAGR of 12.6%
- ✓ Multi-utility backgrounds
- ✓ Robust succession planning

## Risk Profile

- Smooth regulated capital deployment
- Absence of federal economic regulation
- Geographic diversity
- Market-based complementary businesses

- ✓ Flexible and sustainable
- ✓ Unlike electrics and gas
- ✓ Most diverse utility
- ✓ Regulated-like

## Financial Strength and Stability

- Dividend growth
- Strong credit ratings/access to capital
- Nearly \$12 billion market cap
- Strong cash flows

- ✓ Top quartile
- ✓ Top quartile
- ✓ Only water utility >\$10 billion
- ✓ No need to issue equity\*\*

\*Anchored from 2014, adjusted EPS.

\*\*Under normal operating conditions.

Top-quartile  
Growth

Low Risk

Strong  
Financials

Best  
People

**AWK**

# American Water Charitable Foundation

Established in 2010 as a 501(c)(3) private foundation

## FOUNDATION'S PRIMARY AREAS OF FOCUS



### EMPLOYEE VOLUNTEER AND MATCHING GIFT PROGRAM

#### Snapshot of 2015

- **Employee Participation:**  
525
- **Hours Volunteered:**  
5,100
- **Dollars Matched:**  
\$159,000



### FUNDING INITIATIVES

related to clean water, conservation, education,  
and community sustainability

#### Union Sportsmen's Alliance

- Coonskin State Park Handicapped Fishing Dock, Charleston, WV
- Harrison Bay State Park Boat Shed, Chattanooga, TN
- Illinois River Canoe and Kayak Trail, Peoria, IL

#### National Recreation & Park Assn.

- Belleville Park, Belleville, IL
- Brunswick Downtown Courtyard, Brunswick, MO
- Camarillo Park, Camarillo, CA
- Lackawanna Heritage Valley Park, Scranton, PA

### Flint Child Health and Development Fund



### DISASTER RELIEF

- **\$50,000 donation to  
Flint Child Health &  
Development Fund of  
the Community  
Foundation of  
Greater Flint**

Building  
stronger  
communities  
through partnerships

## Investor Relations



**Greg Panagos**

**Vice President – Investor Relations**

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**Melissa Schwarzell**

**Director – Investor Relations**

[Melissa.schwarzell@amwater.com](mailto:Melissa.schwarzell@amwater.com)

**Tel: 856-566-4005**

**Fax: 856-782-2782**

**Q1 2016 Earnings Call: May 4, 2016, 9 a.m. ET**

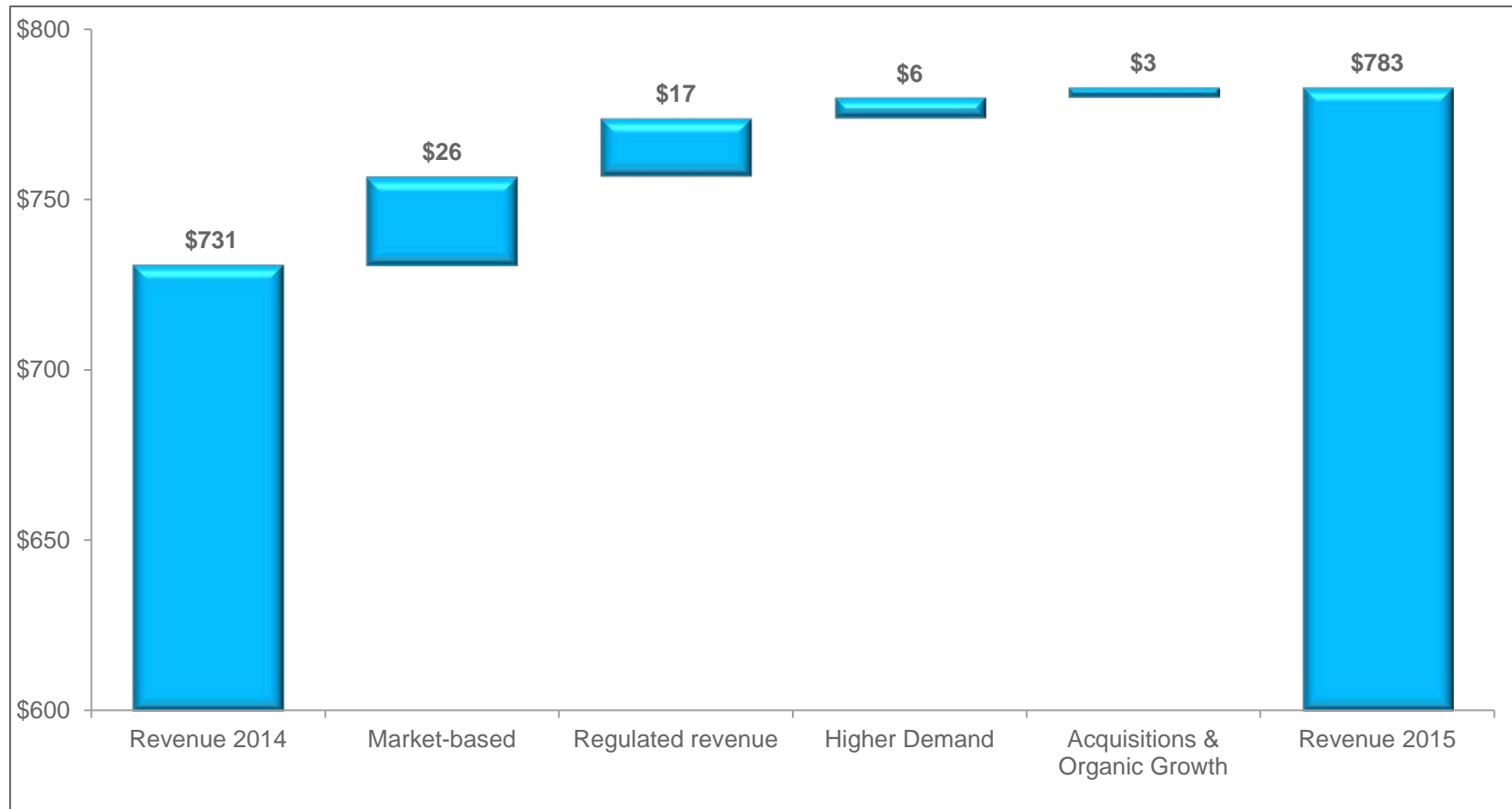




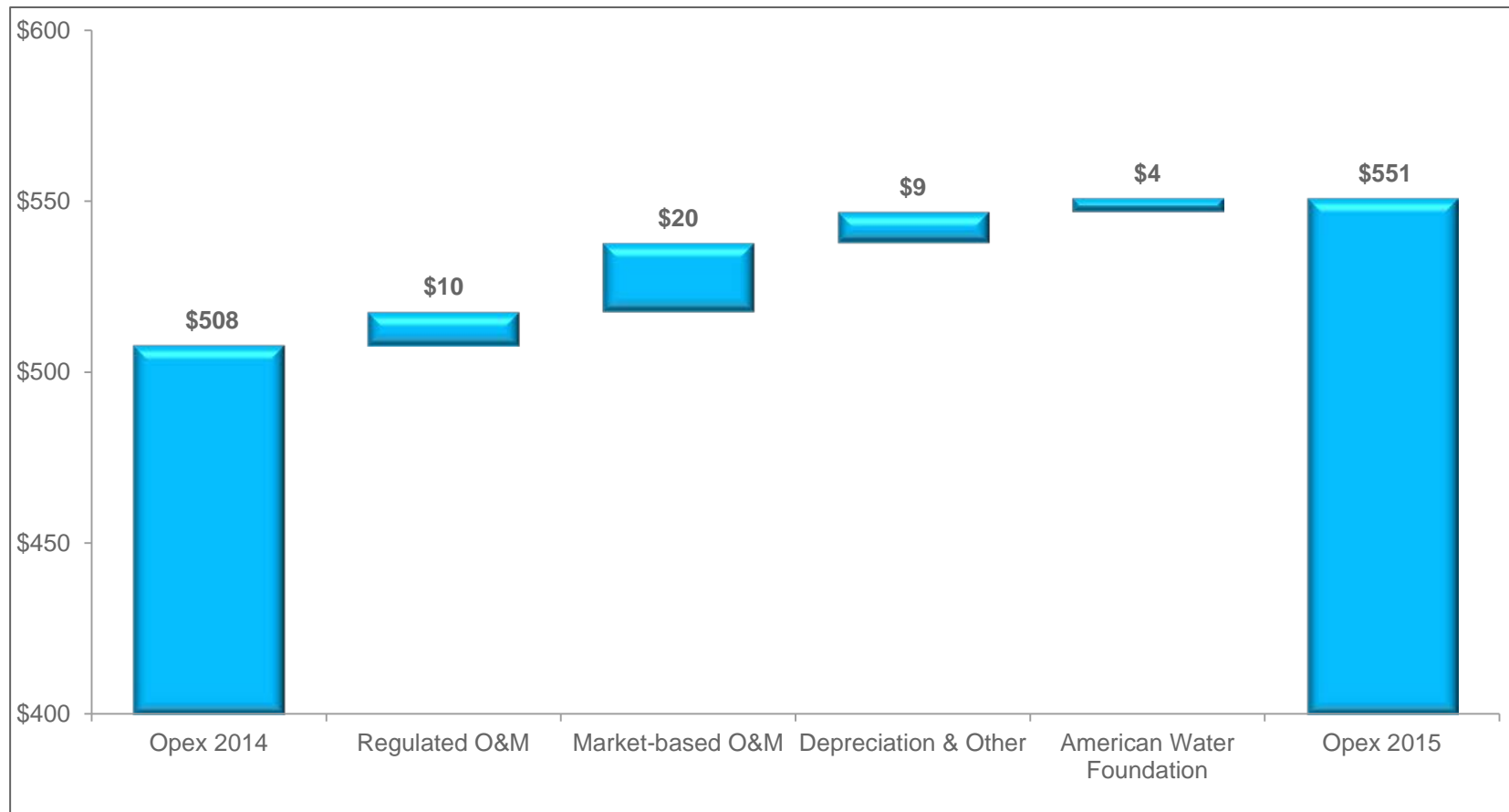
AMERICAN WATER  
**NYSE: AWK**

## Appendix

## 2015 Fourth Quarter Revenue Breakdown (\$ in millions)

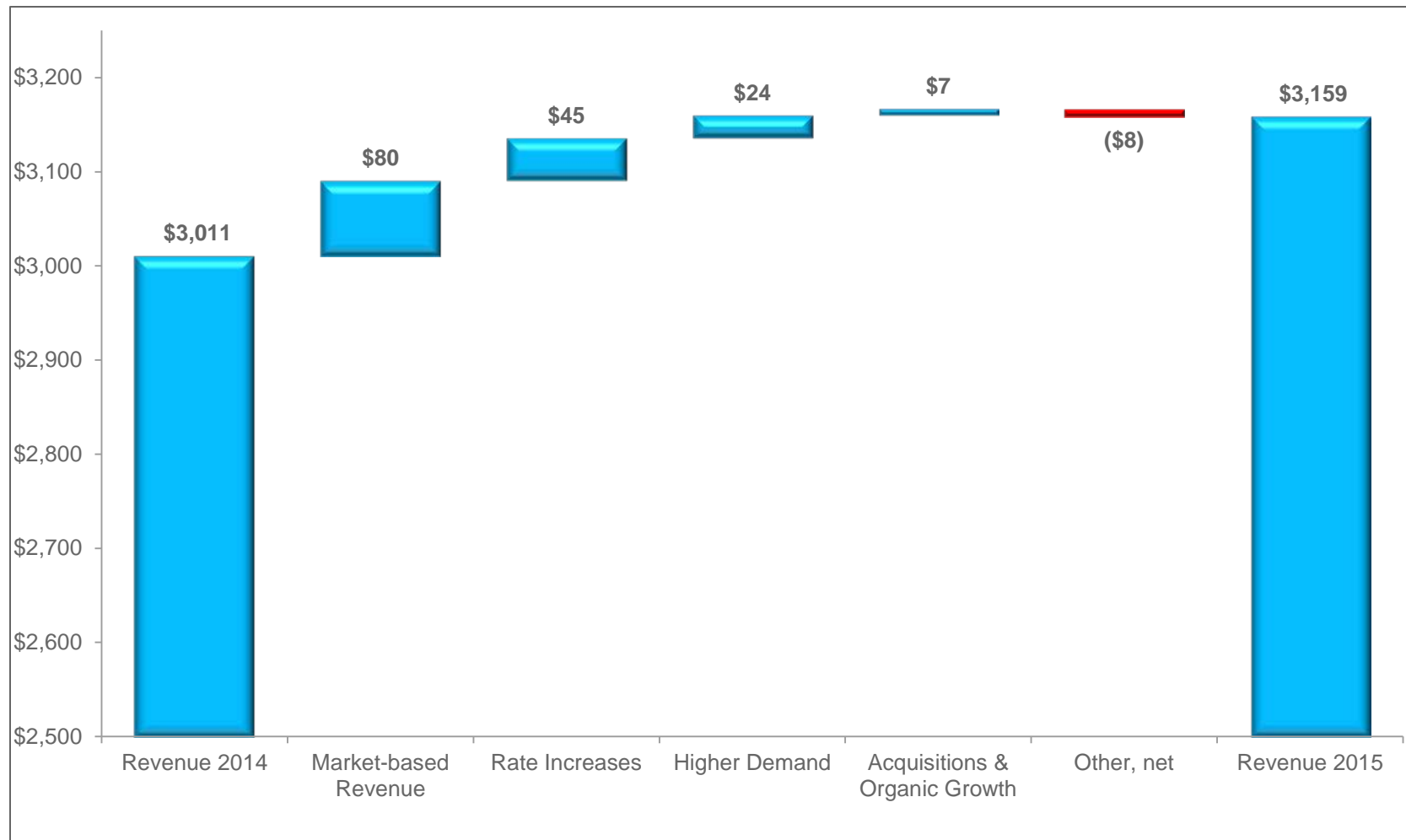


## 2015 Fourth Quarter Operating Expense Breakdown (\$ in millions)

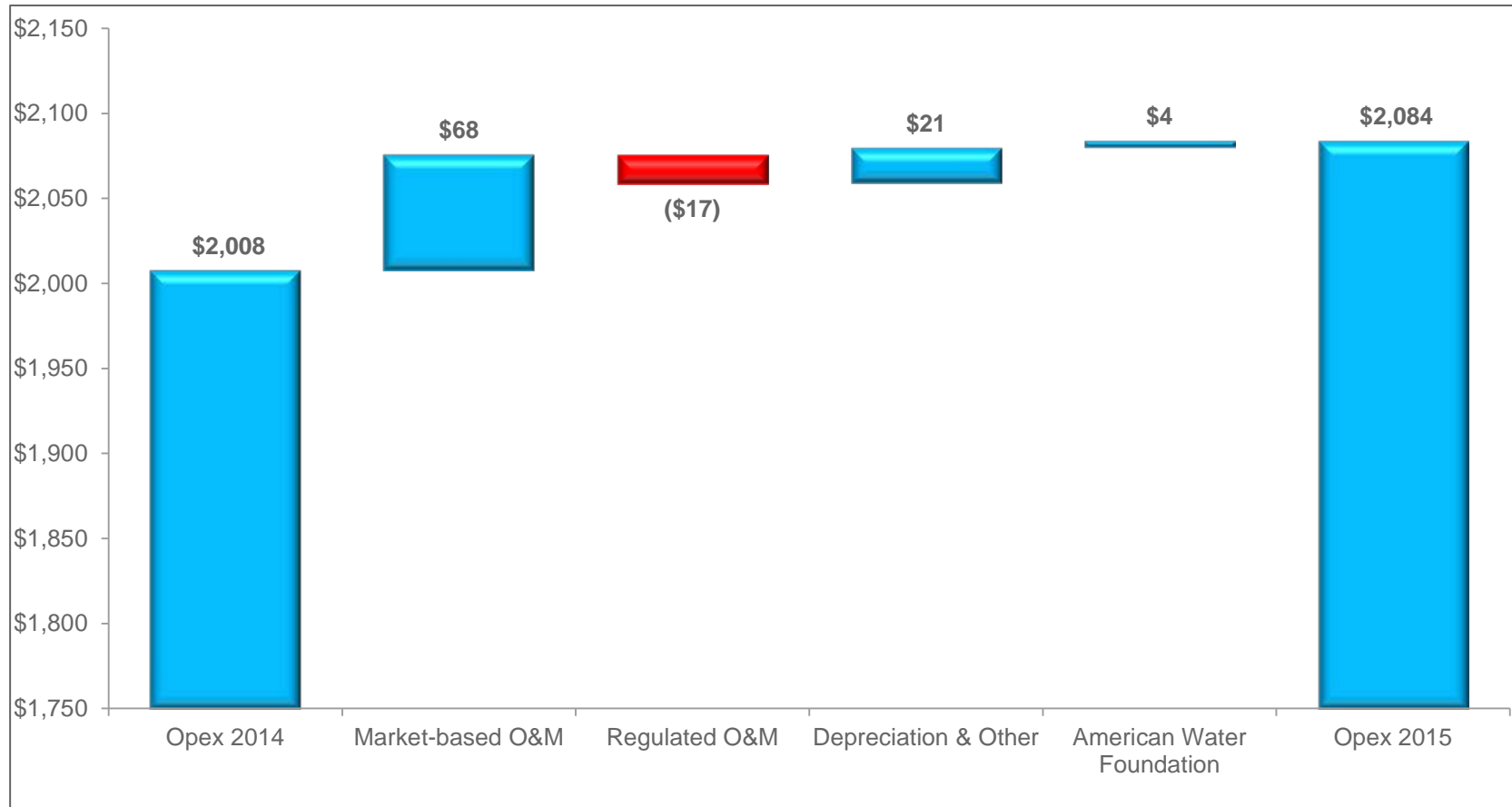


## 2015 Full Year Revenue Breakdown

(\$ in millions)













## 2015 Full Year Operating Expense Breakdown (\$ in millions)





# Regulated Utilities: Rate Base & Authorized Return on Equity

Last Rate Case Awarded - Largest Regulated Subsidiaries										
 CALIFORNIA AMERICAN WATER		 ILLINOIS AMERICAN WATER		 INDIANA AMERICAN WATER		 KENTUCKY AMERICAN WATER		 MISSOURI AMERICAN WATER		
Authorized Rate Base*	\$439,448		\$706,386		\$841,915	(b)	\$384,729		\$831,375	(b)
Authorized ROE	9.99%	(a)	9.34%		9.75%		9.70%		10.00%	(g)
Authorized Equity	53.00%	(a)	48.10%		41.55%	(c)	44.70%		50.57%	(e)
Effective Date of Rate Case	1/1/2015	(a)	10/1/2012		1/29/2015		10/25/2013	(d)	4/1/2012	
 NEW JERSEY AMERICAN WATER		 NEW YORK AMERICAN WATER		 PENNSYLVANIA AMERICAN WATER		 VIRGINIA AMERICAN WATER		 WEST VIRGINIA AMERICAN WATER		
Authorized Rate Base*	\$2,386,790		\$128,882	(f)	\$2,425,711	(b)	\$119,254	(b)	\$448,841	(b)
Authorized ROE	9.75%		9.65%	(f)	10.25%	(g)	9.75%		9.90%	(g)
Authorized Equity	52.00%		42.00%	(f)	51.69%	(e)	42.67%	(e)	45.23%	(e)
Effective Date of Rate Case	9/21/2015		4/1/2012	(f)	1/1/2014		12/12/2012	(h)	10/11/2013	
*Rate Base stated in \$000s										

\*Rate Base stated in \$000s

## Notes:

- a) CA received D.15-04-007 on April 9, 2015. The decision, addressing the revenue requirement, is retroactive to 1/1/2015. CA has a separate Cost of Capital case which sets the rate of return outside of a general rate proceeding and is still under the decision issued July 12, 2012. The next Cost of Capital application is scheduled to be filed March 31, 2016 with a projected effective date in 2017.
- b) The Rate Base listed is the Company's view of the Rate Base allowed in the case, the Rate Base was not disclosed in the Order or the applicable settlement agreement.
- c) Regulatory capital structure includes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base
- d) Rates Under Bond were effective July 27, 2013 and received final Order October 25, 2013.
- e) The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement
- f) Information pertains only to the former company of Long Island American Water.
- g) The ROE listed is the Company's view of the ROE allowed in the case, the ROE was not disclosed in the Order or the applicable settlement agreement.
- h) Rates Under Bond were effective July 12, 2012 and received final Order December 12, 2012.

## Regulatory Filings: Rate Cases Update Footnotes

(a) The revenue amount requested includes \$35.5 million for water operations and \$176,000 for wastewater operations.

(b) The revenue amount requested includes \$23.4 million for water operations and \$1.8 million for wastewater operations. These amounts exclude the \$25.8 million in ISRS revenue previously allowed for a total request of \$51.0 million.

(c) On February 19, 2015, the Company, the Office of Ratepayer Advocate (ORA), City of Pacific Grove, Las Palmas Wastewater Coalition, and the Monterey Peninsula Water Management District (MPWMD) submitted an amended settlement of \$24.0 million, of which \$5.6 million in purchase water increases and the \$1.9 million step increases were granted prior to 1/1/2015. The \$24.0 million includes estimated increases in the escalation year 2016 and the attrition year 2017 of \$5.0 million and \$6.3 million, respectively.

(d) Revenue granted in the amount of \$186,000 are based on a four-year phase-in of equal percentage increases each year.

## Rate Base Calculation

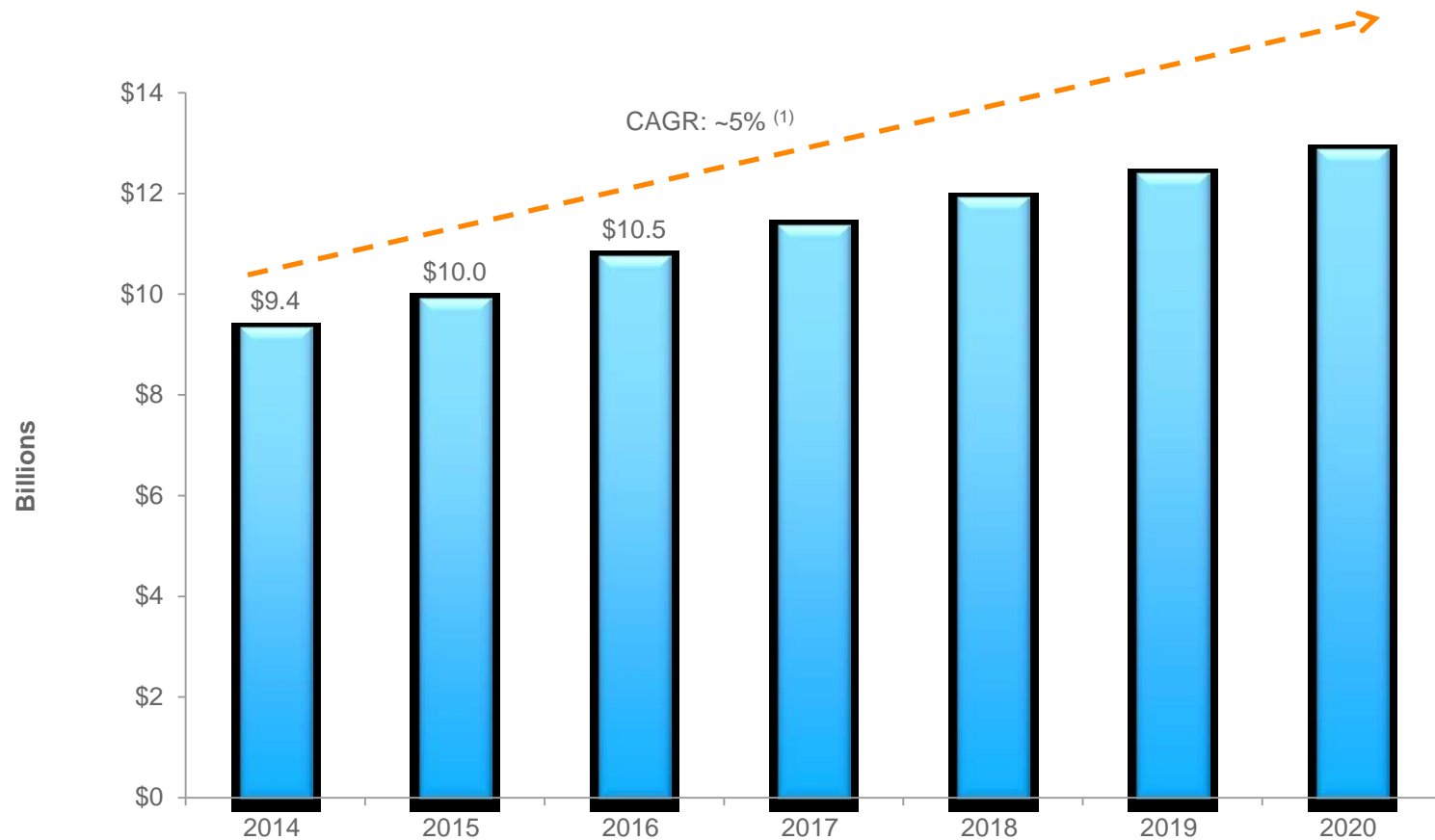
### Rate Base as of December 31, 2015<sup>(1)</sup>

(\$ in millions)

Net Utility Plant	\$13,791
Less	
Advances for Construction	349
CIAC – Contributions in Aid of Construction	1,121
Net Deferred income taxes	2,310
Deferred investment tax credits	24
Sub Total	\$3,804
<b>Rate Base</b>	<b>TOTAL \$9,987</b>

(1) An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes.

## Rate Base Growth – Consistent, Stable Growth



(1) Includes estimated growth from system investments and acquisitions for the period 2016 through 2020, anchored from FY2014. Includes expected impact from the five year extension of bonus depreciation.

## Reconciliation Tables: Adjusted Diluted Earnings Per Share from Continuing Operations

Diluted Earnings Per Common Share						
	2010	2011	2012	2013	2014	2015
<b>Net Income - GAAP</b>	\$ 1.53	\$ 1.75	\$ 2.01	\$ 2.06	\$ 2.35	\$2.64
Less:						
Income/(Loss) from discontinued operations	\$ 0.07	\$ 0.03	(\$ 0.09)	(\$ 0.01)	(\$ 0.04)	
<b>Income from continuing operations per diluted common share - GAAP</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.07</b>	<b>\$2.39</b>	<b>\$2.64</b>
Add:						
2013 Debt Tender Offer				\$ 0.14		
After-tax impact of Freedom Industries Chemical Spill in West Virginia					\$ 0.04	
<b>Adjusted diluted EPS from Continuing Operations</b>	<b>\$ 1.46</b>	<b>\$ 1.72</b>	<b>\$ 2.10</b>	<b>\$ 2.21</b>	<b>\$ 2.43</b>	<b>\$2.64</b>

## Reconciliation Tables: Adjusted Return on Equity

Adjusted Return on Equity		
(\$ in millions)	For the Twelve Months Ended Dec. 31	
	2014	2015
Net income	\$423	\$476
Adjustments:		
Impact of Freedom Industries chemical spill in West Virginia	\$7	\$0
Loss (income) from discontinued operations	\$7	\$0
Adjusted Net Income from Continuing Operations	\$437	\$476
Stockholders' equity	\$4,916	\$5,049
Impact of Freedom Industries chemical spill in West Virginia	\$7	\$0
Loss (income) from discontinued operations	\$7	\$0
Adjusted Stockholders' Equity	\$4,930	\$5,049
Adjusted Return on Equity	8.86%	9.43%

# Reconciliation Table: Regulated Segment O&M Efficiency Ratio

<b>Regulated Segment O&amp;M Efficiency Ratio</b> <b>(A Non-GAAP Unaudited Number)</b> <b>(\$ in millions)</b>	FY	FY	FY	FY	FY	FY
	2010	2011	2012	2013	2014	2015
Total Operations and Maintenance Expense	\$1,272	\$1,280	\$1,330	\$1,289	\$1,350	\$1,404
Less:						
Operations and Maintenance Expense – Market Based Operations	237	257	256	241	289	358
Operations and Maintenance Expense – Other	(61)	(69)	(57)	(57)	(51)	(49)
Total Regulated Operations and Maintenance Expense	\$1,095	\$1,092	\$1,131	\$1,105	\$1,112	\$1,095
Less:						
Allocation of non-O&M costs to Regulated O&M expense	29	31	35	35	39	35
Regulated Purchased Water Expense	100	99	110	111	122	117
Impact of West Virginia Freedom Industries Chemical Spill	-	-	-	-	10	-
Estimated impact of weather (mid-point of range)	-	-	4	(2)	(2)	-
<b>Adjusted Regulated Operations and Maintenance Expense (a)</b>	<b>\$966</b>	<b>\$962</b>	<b>\$982</b>	<b>\$961</b>	<b>\$943</b>	<b>\$943</b>
Total Operating Revenues	\$2,535	\$2,642	\$2,854	\$2,879	\$3,011	\$3,159
Less:						
Operating Revenues – Market Based Operations	275	303	307	303	355	434
Operating Revenues – Other	(25)	(30)	(18)	(18)	(18)	(18)
Total Regulated Operating Revenues	\$2,286	\$2,369	\$2,565	\$2,594	\$2,674	\$2,743
Less:						
Regulated Purchased Water expense*	100	99	110	111	122	117
Plus:						
Impact of West Virginia Freedom Industries Chemical Spill	-	-	-	-	1	-
Estimated impact of weather (mid-point of range)	-	-	(43)	15	17	-
<b>Adjusted Regulated operating revenues (b)</b>	<b>\$2,186</b>	<b>\$2,270</b>	<b>\$2,412</b>	<b>\$2,498</b>	<b>\$2,570</b>	<b>\$2,626</b>
<b>Regulated O&amp;M Efficiency Ratio (a)/(b)</b>	<b>44.2%</b>	<b>42.4%</b>	<b>40.7%</b>	<b>38.5%</b>	<b>36.7%</b>	<b>35.9%</b>

\*Calculation assumes purchased water revenues approximate purchased water expenses.

## 2015 Closed and Pending Acquisitions

Closed Acquisitions				
State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
Indiana	2	546		546
Missouri	3	73	9,344	9,417
New Jersey	2	4,604	4,500	9,104
Pennsylvania	5	226	4,099	4,325
New York	1	35		35
California	<u>1</u>	<u>243</u>	<u>243</u>	<u>486</u>
<b>Total</b>	<b><u>14</u></b>	<b><u>5,727</u></b>	<b><u>18,186</u></b>	<b><u>23,913</u></b>
Pending Acquisitions				
State	No. of Acquisitions	Water Customers	Wastewater Customers	Total Customers
Illinois	3	319	340	659
Missouri	3	235	350	585
New Jersey	1		5,300	5,300
New York	1	95		95
California	<u>4</u>	<u>2,236</u>	<u>          </u>	<u>2,236</u>
<b>Total</b>	<b><u>14</u></b>	<b><u>2,885</u></b>	<b><u>5,990</u></b>	<b><u>8,875</u></b>



**ADDITIONAL ATTACHMENTS TO  
KAW\_R\_AGDR1\_NUM016\_032416  
FILED UNDER SEAL PURSUANT TO PETITION FOR  
CONFIDENTIAL TREATMENT FILED ON MARCH 24, 2016**